

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of

**The Educational Services Commission of Morris County
Board of Directors
Morristown, New Jersey**

For the Fiscal Year Ended June 30, 2012

Prepared by

**The Educational Services Commission of Morris County
Board of Directors
Finance Department**

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

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INTRODUCTORY SECTION

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
PO BOX 1944
MORRISTOWN, NJ 07962-1944

www.escmorris.com 973-540-8844

December 17, 2012

Honorable President and
Members of the Board of Directors
Educational Services Commission of Morris County
Morristown, New Jersey

Dear Board Members:

The comprehensive annual financial report (CAFR) of the Educational Services Commission of Morris County for the fiscal year ended June 30, 2012 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of presentation, including all disclosures, rests with the management of the Commission. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in the manner designed to present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Educational Services Commission of Morris County as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Commission's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Commission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-profit Organizations", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) Reporting Entity and Its Services

The Educational Services Commission of Morris County is an independent reporting agency formed by the constituent districts of Morris County within the criteria adopted by the GASB, Statement No. 14. The Commission, its schools, and programs located throughout the County of Morris, constitute the reporting entity.

The Commission provides educational services to districts in Morris County either on a cooperative or a direct service basis. These services include: Cooperative Bid Purchasing; Coordinated Public, Special and Private School Transportation; Member District Bus Leasing; Two Special Education Schools; Child Study Team Services; Shared Business Services; Professional Support Services; Health and Environmental Safety Services; Nonpublic Services: Chapters 192/193 Handicapped and Auxiliary Services, Nursing Services, Textbook Purchase and Processing, and Computer Support Services.

2) Economic Condition and Outlook

The need to develop economies of scale and cost effective measures to control spending amid sparse resources continues to create the demand for the Commission's services and cooperative activities. Our programs and requests for additional types of programs are increasing. Budgeting estimates based on the amount of business we expect to do are increasing each year. As we continue to be receptive to the needs of the districts, we expect to increase our economic condition. A sound infrastructure will enable us to take the lead in developing new and innovative strategies for cost effective programming, which relieves districts of many administrative burdens, and redirect saved resources to needed programs to enhance the quality of education for the children in the community.

3) Major Initiatives

The Park Lake School has invested in technology to upgrade Internet access and use of augmentative devices to improve learning opportunities for our students. The ESC has improved the condition of the Regional Day School and continues to upgrade the facility to improve the safety and health of our students. The ESC's expanded transportation services for member districts continues to provide a valuable district service. We have developed program options for our students transitioning into adult life, by expanding our programs at Regional Day and Park Lake Schools. We have also expanded CST services to member districts.

4) Internal Accounting Controls

The Administration of the Commission is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Commission are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by the Administration.

As a recipient of federal and state financial assistance, the Commission is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the Commission Administration.

As part of the Commission's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the Commission has complied with applicable laws and regulations.

5) Budgetary Controls

In addition to internal accounting controls, the Commission maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by Representative Assembly of the Educational Services Commission. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2012.

6) Accounting System and Reports

The Commission's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the ESC is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7) Debt Administration

The Commission's facility funding agreement with the Morris County Improvement Authority for the issuance of \$4.9 million in bonds to finance old debt and new construction at the Park Lake School will continue for the next several years. The Commission through its fees for services, funds these projects. The ESC continues its funding agreement with the Morris County Improvement Authority for \$1.7 million in bonds to finance busses for use by member districts to meet their transportation needs. The fees collected for this service continue to fund this project.

8) Cash Management

The investment policy of the Commission is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The Commission has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) Risk Management

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/ collision, hazard and theft insurance on property and contents, and fidelity bonds.

10) Other Information

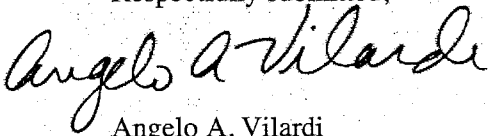
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of VM Associates, Inc., was selected. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Single Audit Act Amendments of 1996 and the related

OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11) Acknowledgment

We would like to express our appreciation to the members of the Educational Services Commission of Morris County Board of Directors for their commitment in providing fiscal accountability to the citizens and taxpayers of Morris County and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

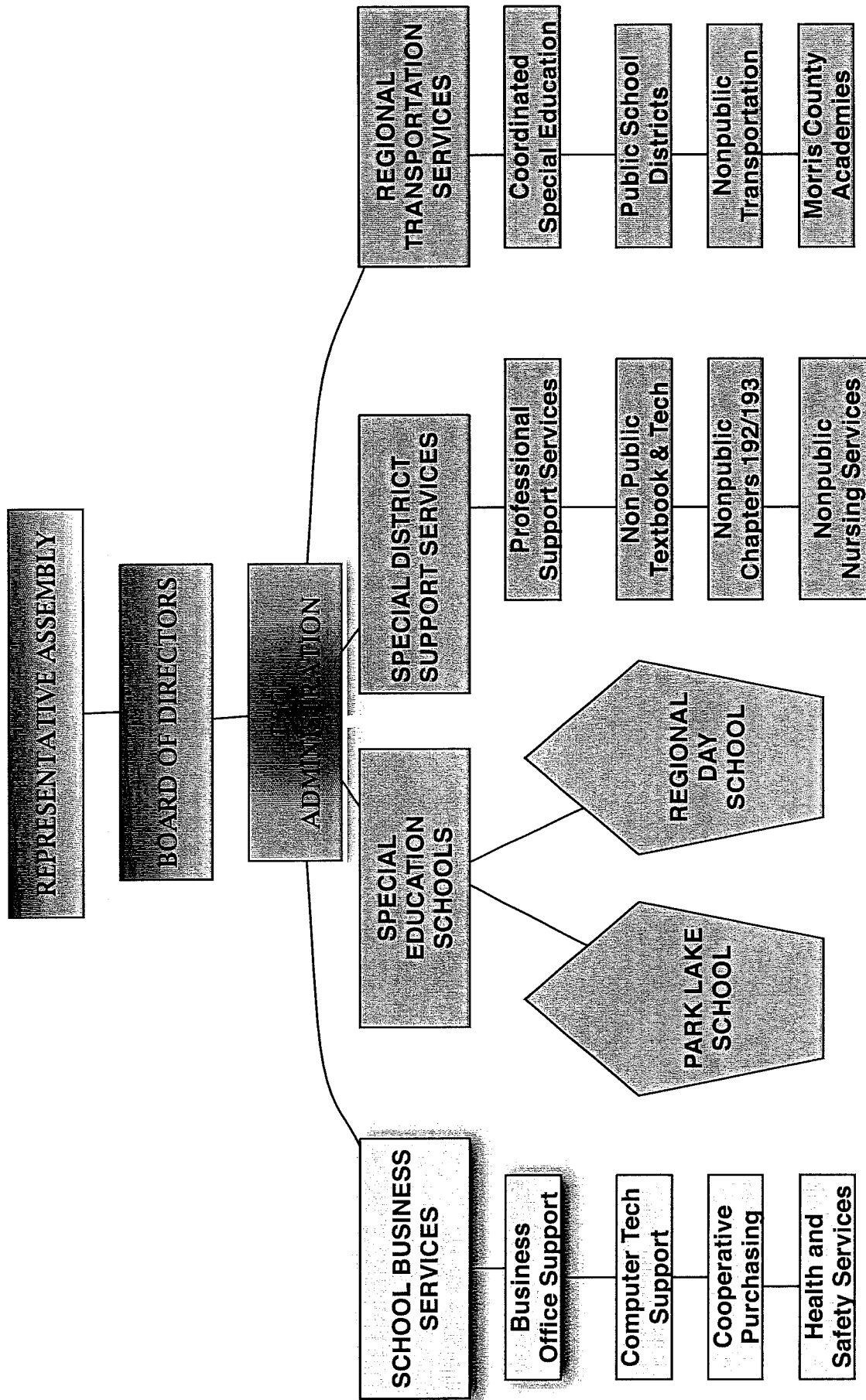


Angelo A. Vilardi
Superintendent



Catarina Bilotta
Business Administrator

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY CHART OF PROGRAMS AND SERVICE 2012



**Educational Services Commission of Morris County
Morristown, New Jersey**

ROSTER OF OFFICIALS

2011-2012

Board of Directors

<u>Members</u>	<u>Term Expires</u>
Debra Erwin, President Morris Hills Regional Board of Education	2012
Irene LeFebvre Boonton Borough Board of Education	2012
Patricia Collins Boonton Township Board of Education	2012
David Napeloni Denville Township Board of Education	2012
Kim Macaulay Harding Township Board of Education	2012
Lou Nazzaro, Vice President Lincoln Park Board of Education	2012
Karen Nyquist Long Hill Township Board of Education	2012
Anne Marie Hornyak Mendham Borough Board of Education	2012
Jill Del Rio Mine Hill Township Board of Education	2012
John Morella Montville Township Board of Education	2012
Daniel Amianda Mt. Olive Township board of Education	2012
Cynthia Fetherston Morris Plains Board of Education	2012
Terri Murphy Morris School Board of Education	2012
Ken Hardacker Pequannock Township Board of Education	2012
Perry Qwok Washington Township Board of Education	2012

Administrative Officials

Angelo A. Vilardi, Superintendent
 Catarina Bilotta, Business Administrator/Board Secretary
 Kathryn Lucas, Director of Special Services
 Marci Spadafora, Principal, Park Lake School
 Elaine Goodman, Principal, Regional Day School
 Francis X. Romano, Transportation Director

**Educational Services Commission of Morris County
Morristown, NJ**

CONSULTANTS AND ADVISORS

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Official Depository

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Architect

Parette Somjen Architects
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Cedar Knolls, NJ 07927

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
The Educational Services Commission of Morris County
County of Morris, New Jersey

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Educational Services Commission of Morris County as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Educational Services Commission of Morris County's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Educational Services Commission of Morris County as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2012 on our consideration of the Educational Services Commission of Morris County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis on page 13 through 19 and budgetary comparison information on schedules C-1 and C-2 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Educational Services Commission of Morris County basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Vincent M. Montanino
Public School Accountant
License No. CS000495



Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

December 21, 2012

**REQUIRED SUPPLEMENTARY INFORMATION -
PART I**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Educational Services Commission of Morris County's (ESC) financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter on page 1 and the ESC's financial statements, which begin on page 22.

FINANCIAL HIGHLIGHTS

- The ESC's net assets decreased overall by \$63,214.77 as a result of this year's operations, which when broken down shows a decrease of \$1,101,601.42 in governmental activity and an increase of \$1,038,386.65 in our business activity.
- Total cost of all of the ESC's programs was \$26,990,156.88 in 2011-2012 compared to \$27,803,915.03 in 2010-2011, demonstrating that we can do more shared services for less.
- During the year, the ESC had expenses for governmental activities that were \$21,793,944.84 compared with the revenue generated by tuition and fees of \$21,765,586.99, yielding a loss of \$28,357.85 and added to the transfers out to the business activities of \$1,073,243.57 results in the decrease of \$1,101,601.42 shown above.
- It should also be noted that based on the reporting criteria we have decided to use in consultation with our auditor and the Department of Education, the Regional Day School analysis will be included as an enterprise fund and part of the business activity we were using to show our food service, BOSS and transportation leasing programs.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 22 and 23) provide information about the activities of the ESC as a whole and present a longer-term view on the ESC's finances. Fund financial statements start on page 26. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the ESC's operation in more detail than the government-wide statements by providing information about the ESC's most financially significant funds

Reporting the ESC as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the ESC as a whole begins on page 15. One of the most important questions asked about the ESC's finances is "Is the ESC as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the ESC as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the ESC's *net assets* and changes in them. You can think of the ESC's net assets, the difference between assets and liabilities, as one way to measure the ESC's financial health, or *financial position*. Over time, *increases* or *decreases* in the ESC's net assets are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the ESC's property tax base, and the condition of the ESC's capital assets to assess the overall *health* of the ESC.

In the Statement of Net Assets and the Statement of Activities, we divide the ESC into two kinds of activities:

- **Governmental activities:** most of the ESC's basic services are reported here, including general administration. Local Government fees, tuition and state and federal aid finance most of these activities.
- **Business-type-activities:** the ESC has four proprietary funds as shown on pages 30, 31 and 32.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

Our analysis of the ESC's major funds begins on page 17. The fund financial statements begin on page 26 and provide detailed information about the most significant funds-not the ESC as a whole. Some funds are required to be established by State law. The ESC's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: most of the ESC's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the ESC's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the ESC's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation on page 28.

Proprietary funds: when the ESC charges customers for the full cost of the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the ESC's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The ESC as Trustee

Reporting the ESC's Fiduciary Responsibilities

The ESC is the trustee, or *fiduciary*, for the Agency Funds. All of the ESC's fiduciary activities are reported in the Statement of Fiduciary Net Assets on page 34. We exclude these activities from the ESC's other financial statements because the ESC cannot use these assets to finance its operations. The ESC is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE ESC AS A WHOLE

The ESC's *combined* net assets changed from \$4,707,047.92 a year ago to \$4,643,833.15 this year, looking at the net assets and net expenses of governmental and business-type activities separately, does not specifically identify the true picture of how ESC programs function. The mandatory GASB 34 analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the ESC's governmental and business-type activities as of June 30. But since the ESC does not receive state aid, nor ad valorem taxes, the true measure of the success of the ESC operation of programs of shared services needs to be constructed using a cost efficiency business model, not available through this mandated reporting mechanism.

Table 1
Net Assets

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 1,981,121.28	\$ 3,188,174.83	\$ 429,171.69	\$ (390,725.74)	\$ 2,410,292.97	\$ 2,797,449.09
Capital Assets Not Being Depreciated	3,623,475.62	3,604,975.62			3,623,475.62	3,604,975.62
Capital Assets, Net	<u>1,074,962.25</u>	<u>1,148,370.28</u>	<u>629,949.99</u>	<u>662,056.02</u>	<u>1,704,912.24</u>	<u>1,810,426.30</u>
Total Assets	<u>6,679,559.15</u>	<u>7,941,520.73</u>	<u>1,059,121.68</u>	<u>271,330.28</u>	<u>7,738,680.83</u>	<u>8,212,851.01</u>
Long-Term Debt Outstanding	2,805,442.93	2,965,803.09	275,000.00	540,000.00	3,080,442.93	3,505,803.09
Other Liabilities	-	-	<u>14,404.75</u>	-	<u>14,404.75</u>	-
Total Liabilities	<u>2,805,442.93</u>	<u>2,965,803.09</u>	<u>289,404.75</u>	<u>540,000.00</u>	<u>3,094,847.68</u>	<u>3,505,803.09</u>
Net Assets:						
Invested in Capital Assets, Net						
of Related Debt	2,093,437.87	1,993,345.90	353,340.86	119,910.52	2,446,778.73	2,113,256.42
Restricted	524,636.15	524,636.15	144,360.12	198,640.08	668,996.27	723,276.23
Unrestricted (Deficit)	<u>1,256,042.20</u>	<u>2,457,735.59</u>	<u>272,015.95</u>	<u>(587,220.32)</u>	<u>1,528,058.15</u>	<u>1,870,515.27</u>
Total Net Assets	<u>\$ 3,874,116.22</u>	<u>\$ 4,975,717.64</u>	<u>\$ 769,716.93</u>	<u>\$ (268,669.72)</u>	<u>\$ 4,643,833.15</u>	<u>\$ 4,707,047.92</u>

Net assets of the ESC's governmental activities decreased 22.14 percent. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased \$1,201,693.39, due mainly to the Board authorized transfer to the transportation leasing program. Restricted net assets, those restricted mainly for capital projects and debt service remained unchanged.

Table 2
Changes in Net Assets

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activites</u>		<u>Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Revenues</u>						
Program Revenues:						
Charges for Services	\$ 15,025,163.57	\$ 15,058,641.34	\$ 5,156,883.10	\$ 5,634,072.07	\$ 20,182,046.67	\$ 20,692,713.41
Operating Grants and Contributions	2,686,079.16	2,466,732.31	-	-	2,686,079.16	2,466,732.31
General Revenues:						
Local Government Units	922,205.45	1,089,389.46			922,205.45	1,089,389.46
Tuition	3,088,317.40	3,563,163.80			3,088,317.40	3,563,163.80
Transfers	-		1,077,712.32	22,245.62	1,077,712.32	22,245.62
Interest and Investment Earnings	7.42	61.26	3.27	26.79	10.69	88.05
Other General Revenues	43,813.99	42,148.57	-	-	43,813.99	42,148.57
Total Revenues:	<u>21,765,586.99</u>	<u>22,220,136.74</u>	<u>6,234,598.69</u>	<u>5,656,344.48</u>	<u>28,000,185.68</u>	<u>27,876,481.22</u>
<u>Program expenses</u>						
Instruction:						
Regular	-	132,481.14			-	132,481.14
Special	2,760,659.75	2,665,112.47			2,760,659.75	2,665,112.47
Support Services:						
Tuition	-	-			-	-
Student and Instruction						
Related Services	2,589,574.31	2,709,253.22			2,589,574.31	2,709,253.22
School Administrative Services	362,730.23	341,136.00			362,730.23	341,136.00
General and Business						
Administrative Services	952,783.38	1,007,247.57			952,783.38	1,007,247.57
Plant Operations and Maintenance	402,539.88	430,991.15			402,539.88	430,991.15
Pupil Transportation	14,725,657.29	14,828,152.38			14,725,657.29	14,828,152.38
Transfers	1,073,243.57	22,245.62			1,073,243.57	22,245.62
Business-type Activities:						
Food Services			74,643.25	82,665.11	74,643.25	82,665.11
Regional Day School			3,629,846.85	3,993,499.72	3,629,846.85	3,993,499.72
Cornerstone College			-	27,761.36	-	27,761.36
BOSS			412,905.53	510,137.00	412,905.53	510,137.00
Transportation Leasing	-	-	1,078,816.41	1,053,232.29	1,078,816.41	1,053,232.29
Total Expenses	<u>22,867,188.41</u>	<u>22,136,619.55</u>	<u>5,196,212.04</u>	<u>5,667,295.48</u>	<u>28,063,400.45</u>	<u>27,803,915.03</u>
Increase (Decrease) in Net Assets	<u>\$ (1,101,601.42)</u>	<u>\$ 83,517.19</u>	<u>\$ 1,038,386.65</u>	<u>\$ (10,951.00)</u>	<u>\$ (63,214.77)</u>	<u>\$ 72,566.19</u>

THE ESC'S FUNDS
Governmental Activities

Table 3

Information below compares revenues and expenditures for all governmental fund types for 2011-2012 and 2010-2011.

	<u>2011-2012</u>	<u>2010-2011</u>	<u>% Change</u>
Revenues by Source:			
Local Government Units	\$ 922,205.45	\$ 1,089,389.46	-15.35%
Tuition Charges	3,088,317.40	3,563,163.80	-13.33%
Transportation Fees	15,025,163.57	15,058,641.34	-0.22%
Interest Earned to Investments	7.42	61.26	-87.89%
Miscellaneous	43,813.99	42,148.57	3.95%
Total - Local Sources	19,079,507.83	19,753,404.43	-3.41%
State Sources	2,334,318.68	2,218,857.27	5.20%
Federal Sources	351,760.48	247,875.04	41.91%
Total Revenues	<u>\$ 21,765,586.99</u>	<u>\$ 22,220,136.74</u>	-2.05%

	<u>2011-2012</u>	<u>2010-2011</u>	<u>% Change</u>
Expenditures by Function:			
Current:			
Regular Instruction	\$ -	\$ 132,481.14	-100.00%
Special Education	1,682,186.10	1,639,176.62	2.62%
Support Services and Undistributed Costs:			
Student and Instruction Related Services	2,076,493.15	2,188,266.52	-5.11%
School Administrative Services	165,795.04	210,607.91	-21.28%
General and Business Administrative Services	725,346.02	799,650.21	-9.29%
Plant Operations and Maintenance	375,381.56	379,235.45	-1.02%
Pupil Transportation	14,676,610.17	14,670,959.06	0.04%
Employee Benefits	2,024,084.93	1,982,309.40	2.11%
Capital Outlay	173,500.00	152,000.00	14.14%
Total Expenditures	<u>\$ 21,899,396.97</u>	<u>\$ 22,154,686.31</u>	-1.15%

Business-type Activities

ESC's major Enterprise Funds consist of Food Services, BOSS, Transportation Leasing and the Regional Day School. The basic financial statements for the major funds are included in this report. Because the focus on business-type funds is a cost of service measurement or capital maintenance, we have included these funds in Table 4, which demonstrates return on ending assets and return on ending net assets.

Table 4

	Food	Regional		
	Services	Day		Transport
		School	BOSS	Leasing
Total Assets	\$ 1,607.06	\$ (64,871.13)	\$ 188,666.41	\$ 933,719.34
Net Assets	1,607.06	(64,871.13)	174,261.66	658,719.34
Change in Net Assets	(170.11)	2,613.04	57,487.47	978,456.25
Return on Ending Total Assets	-10.59%	4.03%	30.47%	104.79%
Return on Ending Net Assets	-10.59%	4.03%	32.99%	148.54%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Table 5

Capital Assets at Year-end

	Governmental		Business-type		Totals	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Buildings	\$ 1,750,000.00	\$ 1,750,000.00	\$ -	\$ -	\$ 1,750,000.00	\$ 1,750,000.00
Machinery and Equipment	375,161.00	375,161.00	1,410,444.88	1,332,029.46	1,785,605.88	1,707,190.46
Construction-in-Progress	3,623,475.62	3,604,975.62	-	-	3,623,475.62	3,604,975.62
Subtotal	5,748,636.62	5,730,136.62	1,410,444.88	1,332,029.46	7,159,081.50	7,062,166.08
Accumulated Depreciation	(1,050,198.75)	(976,790.72)	(780,494.89)	(669,973.44)	(1,830,693.64)	(1,646,764.16)
Totals	4,698,437.87	4,753,345.90	629,949.99	662,056.02	5,328,387.86	5,415,401.92

This year's major addition in the Governmental Activities is for construction in progress for the Commission's on going school renovation project.

The ESC's 2012-2013 capital budget anticipates a minimal spending level for capital projects. More detailed information about the ESC capital assets is presented in Note II:C. to the basic financial statements

DEBT

At year – end the ESC had total debt as shown in Table 6. This debt is for the Commission’s acquisition and renovation of the Park Lake School and includes both 1996 and 1999 issues, which were refinanced through the Morris County Improvement Authority in March of 2004. In September of 2005 the Commission financed the acquisition of its buses through the Morris County Improvement Authority in the amount of \$1,700,000.00, which is reflected on the balance sheet of the Business-Type Activities.

Outstanding Debt, at year –end
Table 6

			Governmental	
			Activities	
			<u>2012</u>	<u>2011</u>
Morris County Improvement Authority Bonds			\$ 2,605,000.00	\$ 2,760,000.00
Compensated Absences			200,442.93	205,803.09
			<u>\$ 2,805,442.93</u>	<u>\$ 2,965,803.09</u>

An analysis of ESC Debt is presented in Note III:B. to the basic financial statements.

BUDGETS

The significant variances between the originally adopted budget for the fiscal year 2011-2012 and the final budget are shown in Exhibit C-1. In addition, costs for transportation of students decreased, yet the number of routes provided and the number of children on routes increased. This is a higher efficiency of students transported at a lower cost, which artificially gives the appearance of less financial strength, when in fact it provides greater validity to the ESC’s mission of efficient services at lower costs.

CONTACTING THE ESC’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the ESC’s finances and to show the ESC’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Official, Catarina Bilotta, by mail: Box 1944, Morristown, NJ 07962-1944, or by phone: 973-540-8844, Extension 24, or by email: bcatarina@esmorris.com

BASIC FINANCIAL STATEMENTS

SECTION A
DISTRICT – WIDE FINANCIAL STATEMENTS

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Net Assets
June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ (289,199.59)	\$ 38,738.99	\$ (250,460.60)
Receivables, Net	1,745,684.72	182,286.31	1,927,971.03
Inventory		1,607.06	1,607.06
Restricted Assets:			
Cash and Cash Equivalents	524,636.15	206,539.33	731,175.48
Capital Assets Not Being Depreciated	3,623,475.62		3,623,475.62
Capital Assets, Net	<u>1,074,962.25</u>	<u>629,949.99</u>	<u>1,704,912.24</u>
Total Assets	<u>6,679,559.15</u>	<u>1,059,121.68</u>	<u>7,738,680.83</u>
LIABILITIES			
Amount Due Other Governmental Units	-	14,404.75	14,404.75
Noncurrent Liabilities:			
Due Within One Year	155,000.00	275,000.00	430,000.00
Due Beyond One Year	<u>2,650,442.93</u>	<u>-</u>	<u>2,650,442.93</u>
Total Liabilities	<u>2,805,442.93</u>	<u>289,404.75</u>	<u>3,094,847.68</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,093,437.87	353,340.86	2,446,778.73
Restricted For:			
Debt Service	524,636.15	144,360.12	668,996.27
Unrestricted	<u>1,256,042.20</u>	<u>272,015.95</u>	<u>1,528,058.15</u>
Total Net Assets	<u>\$ 3,874,116.22</u>	<u>\$ 769,716.93</u>	<u>\$ 4,643,833.15</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Education	2,760,659.75		1,722,850.58		(1,037,809.17)		(1,037,809.17)
Support Services:							
Tuition	-				-		-
Student and Instruction Related Services	2,589,574.31		777,232.87		(1,812,341.44)		(1,812,341.44)
School Administrative Services	362,730.23		91,635.80		(271,094.43)		(271,094.43)
General and Business Administrative Services	952,783.38		94,359.91		(858,423.47)		(858,423.47)
Plant Operations and Maintenance	402,539.88				(402,539.88)		(402,539.88)
Pupil Transportation	14,725,657.29	15,025,163.57	-		299,506.28		299,506.28
Total Governmental Activities	21,793,944.84	15,025,163.57	2,686,079.16		(4,082,702.11)		(4,082,702.11)
Business-type Activities:							
Food Service	74,643.25	9,968.78			(64,674.47)		(64,674.47)
Regional Day School	3,629,846.85	3,674,720.68			44,873.83		44,873.83
Cornerstone College	-	-			-		-
BOSS	412,905.53	470,393.00			57,487.47		57,487.47
Transportation Leasing	1,078,816.41	1,001,800.64	-		(77,015.77)		(77,015.77)
Total Business-type Activities	5,196,212.04	5,156,883.10	-		(39,328.94)		(39,328.94)
Total Primary Government	\$ 26,990,156.88	\$ 20,182,046.67	\$ 2,686,079.16	\$ -	\$ (4,082,702.11)	\$ (39,328.94)	\$ (4,122,031.05)
General Revenues:							
Local Government Units					922,205.45		922,205.45
Tuition (Other Than Special Schools)					3,088,317.40		3,088,317.40
Investment Earnings					7.42	3.27	10.69
Miscellaneous Income					43,813.99	-	43,813.99
Transfers					(1,073,243.57)	1,077,712.32	4,468.75
Total General Revenues, Special Items, Extraordinary Items and Transfers					2,981,100.69	1,077,715.59	4,058,816.28
Change in Net Assets					(1,101,601.42)	1,038,386.65	(63,214.77)
Net Assets—Beginning					4,975,717.64	(268,669.72)	4,707,047.92
Net Assets—Ending					\$ 3,874,116.22	\$ 769,716.93	\$ 4,643,833.15

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

SECTION B
FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ (108,525.54)	\$ (203,345.64)	\$ 22,671.59	\$ (289,199.59)
Interfunds Receivable	22,671.59			22,671.59
Receivables from Other Governments	98,800.64	203,345.64		302,146.28
Tuition Receivable	53,405.21			53,405.21
Transportation Fees Receivable	1,390,133.23	-		1,390,133.23
Restricted Cash and Cash Equivalents	-	-	524,636.15	524,636.15
Total Assets	<u>\$ 1,456,485.13</u>	<u>\$ -</u>	<u>\$ 547,307.74</u>	<u>\$ 2,003,792.87</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfunds Payable	\$ -	\$ -	\$ 22,671.59	\$ 22,671.59
Amount Due Other Governmental Units	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>22,671.59</u>	<u>22,671.59</u>
Fund Balances:				
Reserved for:				
Debt Service			524,636.15	524,636.15
Unreserved, Reported in:				
General Fund	1,456,485.13	-	-	1,456,485.13
Total Fund Balances	<u>1,456,485.13</u>	<u>-</u>	<u>524,636.15</u>	<u>1,981,121.28</u>
Total Liabilities and Fund Balances	<u>\$ 1,456,485.13</u>	<u>\$ -</u>	<u>\$ 547,307.74</u>	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$5,748,636.62 and the accumulated depreciation is \$1,050,198.75.

4,698,437.87

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

(2,805,442.93)

Net assets of governmental activities

\$ 3,874,116.22

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES				
Local Sources:				
Local Government Units	\$ 922,205.45	\$ -	\$ -	\$ 922,205.45
Tuition Charges	3,088,317.40			3,088,317.40
Transportation Fees	15,025,163.57			15,025,163.57
Interest Earned on Investments	-		7.42	7.42
Miscellaneous	43,813.99	-	-	43,813.99
Total - Local sources	19,079,500.41	-	7.42	19,079,507.83
State Sources	756,695.32	1,577,623.36		2,334,318.68
Federal Sources	-	351,760.48	-	351,760.48
Total Revenues	<u>19,836,195.73</u>	<u>1,929,383.84</u>	<u>7.42</u>	<u>21,765,586.99</u>
EXPENDITURES				
Current:				
Regular Instruction	-			-
Special Education Instruction	1,035,732.29	646,453.81		1,682,186.10
Support Services and Undistributed Costs:				
Tuition	-			-
Student and Instruction Related Services	897,407.80	1,179,085.35		2,076,493.15
School Administrative Services	165,795.04			165,795.04
General and Business Administrative Services	725,346.02			725,346.02
Plant Operations and Maintenance	375,381.56			375,381.56
Pupil Transportation	14,676,610.17			14,676,610.17
Unallocated Benefits	1,920,240.25	103,844.68		2,024,084.93
Capital Outlay	173,500.00	-	-	173,500.00
Total Expenditures	<u>19,970,013.13</u>	<u>1,929,383.84</u>	<u>-</u>	<u>21,899,396.97</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(133,817.40)</u>	<u>-</u>	<u>7.42</u>	<u>(133,809.98)</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers In	7.42			7.42
Transfers (Out)	(1,073,243.57)	-	(7.42)	(1,073,250.99)
Total Other Financing Sources and (Uses)	<u>(1,073,236.15)</u>	<u>-</u>	<u>(7.42)</u>	<u>(1,073,243.57)</u>
Net Change in Fund Balances	(1,207,053.55)	-	-	(1,207,053.55)
Fund Balance—July 1	2,663,538.68	-	524,636.15	3,188,174.83
Fund Balance—June 30	<u>\$ 1,456,485.13</u>	<u>\$ -</u>	<u>\$ 524,636.15</u>	<u>\$ 1,981,121.28</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
 THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2012

Total net change in fund balances - governmental funds (from B-2) \$ (1,207,053.55)

Amounts reported for governmental activities in the statement
 of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of
 activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	\$ (73,408.03)	
Capital outlays	<u>18,500.00</u>	
		(54,908.03)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces
 long-term liabilities in the statement of net assets and is not reported in the statement of activities. 155,000.00

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations and
 unused sick pay) are measured by the amounts earned during the year. In the governmental funds,
 however, expenditures for these items are reported in the amount of financial resources used (paid).
 When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-);
 when the paid amount exceeds the earned amount the difference is an addition in the reconciliation (+). 5,360.16

Revenues in the statement of activities which do not provide current financial resources are not
 reported as revenues in the funds. (+)

Change in net assets of governmental activities	<u>\$ (1,101,601.42)</u>
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The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities - Enterprise Funds					
	Regional Day		Food		Transportation	
	Food	Operating	Service	BOSS	Leasing	Totals
	Service		ESC			
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ -	\$(176,462.66)	\$ -	\$ 188,666.41	\$ 26,535.24	\$ 38,738.99
Accounts Receivable	-	109,982.40	-	-	72,303.91	182,286.31
Inventories	864.43	-	742.63	-	-	1,607.06
Restricted Cash and Cash Equivalents	-	-	-	-	206,539.33	206,539.33
Total Current Assets	<u>864.43</u>	<u>(66,480.26)</u>	<u>742.63</u>	<u>188,666.41</u>	<u>305,378.48</u>	<u>429,171.69</u>
Noncurrent Assets:						
Furniture, Machinery and Equipment		6,436.46	5,772.00		1,398,236.42	1,410,444.88
Less Accumulated Depreciation	-	<u>(4,827.33)</u>	<u>(5,772.00)</u>	-	<u>(769,895.56)</u>	<u>(780,494.89)</u>
Total Noncurrent Assets	-	<u>1,609.13</u>	-	-	<u>628,340.86</u>	<u>629,949.99</u>
Total Assets	<u>864.43</u>	<u>(64,871.13)</u>	<u>742.63</u>	<u>188,666.41</u>	<u>933,719.34</u>	<u>1,059,121.68</u>
LIABILITIES						
Current Liabilities:						
Amount Due Other Governmental Units	-	-	-	14,404.75	-	14,404.75
Total Current Liabilities	-	-	-	<u>14,404.75</u>	-	<u>14,404.75</u>
Noncurrent Liabilities:						
Due Within One Year					275,000.00	275,000.00
Due Beyond One Year	-	-	-	-	-	-
Total Noncurrent Liabilities	-	-	-	-	<u>275,000.00</u>	<u>275,000.00</u>
Total Liabilities	-	-	-	<u>14,404.75</u>	<u>275,000.00</u>	<u>289,404.75</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt					353,340.86	353,340.86
Restricted For:						
Noncurrent Liabilities					144,360.12	144,360.12
Unrestricted	<u>864.43</u>	<u>(64,871.13)</u>	<u>742.63</u>	<u>174,261.66</u>	<u>161,018.36</u>	<u>272,015.95</u>
Total Net Assets	<u>\$ 864.43</u>	<u>\$ (64,871.13)</u>	<u>\$ 742.63</u>	<u>\$ 174,261.66</u>	<u>\$ 658,719.34</u>	<u>\$ 769,716.93</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds				
	Regional Day		Food Service	BOSS	Totals
	Food Service	Operating	ESC		
Operating Revenues:					
Charges for Services:					
Daily Sales - Non-reimbursable Programs	\$ 3,398.61	\$ -	\$ 6,570.17	\$ -	\$ 9,968.78
Miscellaneous	-	3,674,720.68	-	470,393.00	500.00
Program Fees	-	3,674,720.68	6,570.17	470,393.00	5,146,414.32
Total Operating Revenues	3,398.61	3,674,720.68	6,570.17	470,393.00	5,156,883.10
Operating Expenses:					
Cost of Sales	10,906.94	-	6,744.22		17,651.16
Salaries	21,620.52	2,514,144.22	9,378.91		2,785,757.65
Employee Benefits	3,748.33	765,893.18	1,626.02		914,105.65
Purchased Property Service	2,342.00	24,364.66	7,620.00		47,239.16
Other Purchased Professional Services	5,352.25	91,712.22	2,023.53	74,917.55	225,355.55
Cleaning, Repair and Maintenance Services		36,739.08			46,707.97
Rentals					171,442.86
Other Purchased Services	700.00	24,851.20	500.00	337,987.98	364,039.18
Utilities		135,691.89			152,885.64
General Supplies		28,323.58			340,774.52
Miscellaneous Expenditures	1,183.50	7,590.45	897.03		19,731.25
Depreciation	-	536.37	-	-	110,521.45
Total Operating Expenses	45,853.54	3,629,846.85	28,789.71	412,905.53	5,196,212.04
Operating Income (Loss)	(42,454.93)	44,873.83	(22,219.54)	57,487.47	(39,328.94)
Nonoperating Revenues (Expenses):					
Interest and Investment Revenue	-	-	-	-	3.27
Total Nonoperating Revenues (Expenses)	-	-	-	-	3.27
Income (Loss) Before Contributions and Transfers					
Transfers In (Out)	(42,454.93)	44,873.83	(22,219.54)	57,487.47	(39,325.67)
Change in Net Assets	42,260.79	(42,260.79)	22,243.57	-	1,077,712.32
Total Net Assets—Beginning	(194.14)	2,613.04	24.03	57,487.47	1,038,386.65
Total Net Assets—Ending	1,058.57	(67,484.17)	718.60	116,774.19	(268,669.72)
	\$ 864.43	\$ (64,871.13)	\$ 742.63	\$ 174,261.66	\$ 769,716.93

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds					
	Regional Day		Food		Totals	
	Food Service	Operating	Service ESC	BOSS	Leasing	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts From Customers	\$ 3,398.61	\$ 3,699,819.58	\$ 6,570.17	\$ 497,671.50	\$ 1,036,679.43	\$ 5,244,139.29
Payments To Employees	(21,620.52)	(2,514,144.22)	(9,378.91)		(240,614.00)	(2,785,757.65)
Payments For Employee Benefits	(3,748.33)	(765,893.18)	(1,626.02)		(142,838.12)	(914,105.65)
Payments To Suppliers	(20,290.55)	(349,273.08)	(17,808.81)	(412,905.53)	(585,379.21)	(1,385,657.18)
Net Cash Provided By (Used For) Operating Activities	(42,260.79)	70,509.10	(22,243.57)	84,765.97	67,848.10	158,618.81
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating Subsidies and Transfers To/From Other Funds	42,260.79	(42,260.79)	22,243.57		1,055,468.75	1,077,712.32
Net Cash Provided By (Used For) Non-capital Financing Activities	42,260.79	(42,260.79)	22,243.57		1,055,468.75	1,077,712.32
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of Capital Assets					(78,415.42)	(78,415.42)
Lease Purchase Principle					(265,000.00)	(265,000.00)
Net Cash (Used For) Capital and Related Financing Activities					(343,415.42)	(343,415.42)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and Dividends					3.27	3.27
Net Cash Provided By Investing Activities					3.27	3.27
Net Increase in Cash and Cash Equivalents	-	28,248.31	-	84,765.97	779,904.70	892,918.98
Balances—Beginning of Year	-	(204,710.97)	-	103,900.44	(546,830.13)	(647,640.66)
Balances—End of Year	\$ -	\$ (176,462.66)	\$ -	\$ 188,666.41	\$ 233,074.57	\$ 245,278.32
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:						
Operating Income (Loss)	\$ (42,454.93)	\$ 44,873.83	\$ (22,219.54)	\$ 57,487.47	\$ (77,015.77)	\$ (39,328.94)
Adjustments To Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:						
Depreciation and Net Amortization		536.37	-	-	109,985.08	110,521.45
(Increase) Decrease in Accounts Receivable, Net	-	25,098.90	-	12,873.75	34,878.79	72,851.44
(Increase) Decrease in Inventories	194.14	-	(24.03)	-	-	170.11
Increase (Decrease) in Accounts Payable	-	-	-	14,404.75	-	14,404.75
Total Adjustments	194.14	25,635.27	(24.03)	27,278.50	144,863.87	197,947.75
Net Cash Provided By (Used For) Operating Activities	\$ (42,260.79)	\$ 70,509.10	\$ (22,243.57)	\$ 84,765.97	\$ 67,848.10	\$ 158,618.81

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 50,032.83</u>
Total Assets	<u>\$ 50,032.83</u>
LIABILITIES	
Payable to Student Groups	\$ 5,663.11
Payroll Deductions and Withholdings	<u>44,369.72</u>
Total Liabilities	<u>\$ 50,032.83</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Board of Education (Board) of the Educational Services Commission of Morris County (Commission) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Reporting Entity

The Educational Services Commission of Morris County is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of appointed officials and is responsible for the fiscal control of the Commission. A superintendent is appointed by the Board and is responsible for the administrative control of the Commission.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. In addition, certain legally separate, tax exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the Commission over which the Board exercises operating control. The operations of the Commission include a special education and alternative school located in Morristown. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Commission is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements- Government-Wide Statements

The statement of net assets and the statement of activities display information about the Commission. These statements include the financial activities of the Commission, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

The financial transactions of the Commission are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Commission:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Commission:

General Fund – The general fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the Commission includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund – The Special Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specially authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, changes in net assets, financial position and cash flows. The accounting principles generally accepted in the United States applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the Commission:

Enterprise Funds – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Commission is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Commission has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Commission's Enterprise Funds are comprised of the Food Service Fund, Regional Day School, BOSS and Transportation Leasing operations.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years

Transportation Leasing:	
Vehicles	12 Years

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Commission programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expense of either fund category or the governmental and enterprise combined) for the determination of major funds.. The nonmajor funds are combined in a column in the fund financial statements.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

Proprietary Fund Type (Continued)

The Commission's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

E. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, grants entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Commission considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

F. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. The significant budget transfers and amendments approved in the school year are presented on Exhibit C-1.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control (Continued)

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The special revenue fund had no encumbrances at June 30, 2012.

Open encumbrances in the special revenue fund for which the Commission has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Exhibit C-3.

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BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and Agency Obligations and Certificates of Deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey School Commissions are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey School Commissions.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

2. Short – term Interfund Receivables/Payables

Short – term interfund receivables/payables represents amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Commission and that are due within one year.

3. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in–first–out (FIFO) method.

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight – line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

4. Capital Assets (Continued)

GASBS No. 34 requires the Commission to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, parking lots, underground pipe, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The Commission has included all infrastructure assets in the current fiscal year.

5. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Commission and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Commission and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations. (See Note VII)

6. Deferred Revenue

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned. See Note I(F) regarding the special revenue fund.

7. Long – term Obligations

Long – term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the capital projects fund for payment early in the following year. For other long – term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations.

8. Fund Equity

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates

H. Fund Balance Reserves

The Commission elected to implement GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable-includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted- includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed- includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the Commission's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned- includes amounts that the Commission intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.

Unassigned- includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The Commission reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Commission considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the Commission considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

I. Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note II: Detailed Disclosure Regarding Assets and Revenues

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (G.U.D.P.A.). Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At June 30, 2012 the Educational Services Commission of Morris County's cash and cash equivalent's amounted to \$2,838,931.68. Of this amount, \$250,000.00 was covered by federal depository insurance (F.D.I.C.) and \$1,835,084.61 was covered by a collateral pool maintained by the banks as required by GUDPA. The amount of \$753,847.07 was on deposit with the Bank of New York Trust Department. The portfolio of the investment company is limited to bonds, certain repurchase agreements or other obligations of, or guaranteed by the United States of America.

At June 30, 2012 the Educational Services Commission of Morris County's did not participate in the State of New Jersey Cash Management Fund.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Educational Services Commission of Morris County will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party.

As of June 30, 2012 none of the Educational Services Commission cash and cash equivalents of \$2,838,931.68 was exposed to custodial credit risk.

The Commission does not have a policy for the management of custodial credit risk, except as noted above, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the Commission's deposits were fully collateralized by funds held by the financial institution, but not in the name of the Commission. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A. 18A:20-37) permit the Educational Services Commission of Morris County to purchase the following types of securities:

a. When authorized by resolution adopted by a majority vote of all its members the board of education of any Commission may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Commission;

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

(2) Government money market mutual funds;

(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

(4) Bonds or other obligations of the Commission or bonds or other obligations of local unit or units within which the Commission is located;

(5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by Commission;

(6) Local government investment pools;

(7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or

(8) Agreements for the repurchase of fully collateralized securities, if:

(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;

(b) the custody of collateral is transferred to a third party;

(c) the maturity of the agreement is not more than 30 days;

(d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

The Educational Services Commission of Morris County had no investments as described in Note I:G.1 at June 30, 2012.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued)

Investments (Continued)

Custodial Credit Risk: Pursuant to GASB 40, the Commission did not have any investments that were exposed to custodial credit risk. The Commission does not have a policy for custodial credit risk.

Credit Risk: The Commission does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Commission did not have any investments at June 30, 2012.

Interest Rate Risk: The Commission does not have a policy to limit interest rate risk. The Commission did not have any investments at June 30, 2012.

Concentration of Credit Risk: The Commission places no limit on the amount the Commission may invest in any one issuer. The Commission did not have any investments at June 30, 2012.

B. Interfund Receivables and Payables

As of June 30, 2012, interfund receivables and payables resulting from various interfund transactions were as follows:

	<u>Due from</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>
General Fund	\$22,671.59	\$
Capital Projects Fund		22,671.59
Enterprise Fund	<hr/>	<hr/>
	<u>\$22,671.59</u>	<u>\$22,671.59</u>

New Jersey statute requires that interest earned on the investments in capital projects fund be credited to the general fund or debt service based on Board resolution. The Board had accrued interest as of June 30, 2012 in the amount of \$22,671.59. Accordingly, an interfund accounts receivable and payable for \$22,671.59 was established in the general fund and capital projects funds, respectively.

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BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 3,604,975.62	\$ 18,500.00	\$ -	\$ 3,623,475.62
Total Capital Assets Not Being Depreciated	<u>3,604,975.62</u>	<u>18,500.00</u>	<u>-</u>	<u>3,623,475.62</u>
Buildings and Improvements	1,750,000.00	-		1,750,000.00
Machinery and Equipment	<u>375,161.00</u>	<u>-</u>	<u>-</u>	<u>375,161.00</u>
Totals at Historical Cost	<u>2,125,161.00</u>	<u>-</u>	<u>-</u>	<u>2,125,161.00</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(628,750.00)	(43,750.00)		(672,500.00)
Machinery and Equipment	<u>(348,040.72)</u>	<u>(29,658.03)</u>	<u>-</u>	<u>(377,698.75)</u>
Total Accumulated Depreciation	<u>(976,790.72)</u>	<u>(73,408.03) (1)</u>	<u>-</u>	<u>(1,050,198.75)</u>
Net Capital Assets Being Depreciated	<u>1,148,370.28</u>	<u>(73,408.03)</u>	<u>-</u>	<u>1,074,962.25</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,753,345.90</u>	<u>\$ (54,908.03)</u>	<u>\$ -</u>	<u>\$ 4,698,437.87</u>
Business - Type Activities:				
Equipment	\$ 1,332,029.46	\$ 78,415.42	\$ -	\$ 1,410,444.88
Less Accumulated Depreciation	<u>(669,973.44)</u>	<u>(110,521.45)</u>	<u>-</u>	<u>(780,494.89)</u>
Business - Type Activities Capital Assets, Net	<u>\$ 662,056.02</u>	<u>\$ (32,106.03)</u>	<u>\$ -</u>	<u>\$ 629,949.99</u>

(1) Depreciation expense was charged to governmental functions as follows:

Special Education	\$ 46,562.40
General and Business Administrative Services	26,845.63
	<u>\$ 73,408.03</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note III: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The District has commitments to lease copiers under operating leases which expired in 2015-2016. Total operating lease payments made during the year ended June 30, 2012 were \$ 26,172.00.

<u>Year Ended</u>	<u>Amount</u>
June 30, 2013	\$ 26,172.00
June 30, 2014	26,172.00
June 30, 2015	26,172.00
June 30, 2016	<u>9,184.00</u>
Total future minimum lease payments	<u>\$ 87,700.00</u>

B. Long - Term Liabilities

Long - Term liability activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Other Liabilities:					
Compensated Absences	\$ 205,803.09	\$20,459.84	\$ (25,820.00)	\$ 200,442.93	\$ -
Morris County Improvement Authority Bonds	<u>2,760,000.00</u>		<u>(155,000.00)</u>	<u>2,605,000.00</u>	<u>155,000.00</u>
Total Other Liabilities	<u>2,965,803.09</u>	<u>20,459.84</u>	<u>(180,820.00) (1)</u>	<u>2,805,442.93</u>	<u>155,000.00</u>
Governmental Activities					
Long - term Liabilities	<u>\$2,965,803.09</u>	<u>\$20,459.84</u>	<u>\$ (180,820.00)</u>	<u>\$ 2,805,442.93</u>	<u>\$155,000.00</u>

(1) Paid by General Fund

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note III: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

1. Bonds Payable

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

Lease Purchase Bonds through the Morris County Improvement Authority outstanding as of June 30, 2012 consisted of the following:

GOVERNMENTAL ACTIVITIES

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Morris County ESC Project	Various	10/1/04	10/1/24	\$4,940,000.00	\$2,605,000.00

Principal and interest due on serial bonds outstanding is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 155,000.00	\$ 100,239.38	\$ 255,239.38
2014	165,000.00	95,177.50	260,177.50
2015	170,000.00	89,562.50	259,562.50
2016	175,000.00	83,306.25	258,306.25
2017	180,000.00	76,312.50	256,312.50
2018	190,000.00	68,681.25	258,681.25
2019	195,000.00	60,740.63	255,740.63
2020	205,000.00	52,490.63	257,490.63
2021	215,000.00	43,828.13	258,828.13
2022	225,000.00	34,753.13	259,753.13
2023	235,000.00	25,265.63	260,265.63
2024	240,000.00	15,468.76	255,468.76
2025	255,000.00	5,259.38	260,259.38
	<u>\$2,605,000.00</u>	<u>\$ 751,085.67</u>	<u>\$3,356,085.67</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note III: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

1. Bonds Payable (Continued)

BUSINESS-TYPE ACTIVITIES

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Purchase of Buses	Various	9/1/06	9/1/12	\$1,700,000.00	\$275,000.00

Principal and interest due on serial bonds outstanding is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,			
2013	<u>\$275,000.00</u>	<u>\$8,937.50</u>	<u>\$283,937.50</u>

2. Bonds Authorized But Not Issued

As of June 30, 2012 the Board had no authorized but not issued bonds.

3. Escrow Agent Agreement

The Commission has entered into an agreement with the Bank of New York, N.A., in its capacity as Escrow Agent for the Refunded COPS. This agreement will require the Escrow Agent to invest a portion of the proceeds of the Bonds in open market U.S. Treasury Obligations maturing and paying interest on such dates and in such amounts as are necessary and sufficient to pay the principal of, interest on and redemption premium of the Refunding COPS.

On March 31, 2004, \$1,175,398.41 was transferred to the Escrow Agent in accordance with the Escrow Agreement. On June 30, 2012, there was \$0.00 on deposit in the Escrow Fund

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BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note IV: Pension Plans

Description of Systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a cost sharing plan with special funding situations as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The PERS is considered a cost sharing multiple-employer plan.

The Public Employees' Retirement System (PERS) was established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Commission or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

The Teachers' Pension and Annuity Fund (TPAF) was established in January 1955, under the provisions of N.J.S.A. 18:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

According to the State of New Jersey Management Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information of each of the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295. or the reports can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

Retirement Benefits

For PERS and TPAF employees who retire at a specified age or after 55 according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of credible service. Vesting occurs after 8 to 10 years of service.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 implements changes to the PERS and TPAF. New members of TPAF and PERS hired on or after June 28, 2011 are considered to have Tier 5 membership.

The service retirement age for PERS and TPAF Tier 5 members is increased from age 62 to age 65. These members will need to have at least 30 years of service credit and be age 65 for receipt of early retirement benefit without a reduction of $\frac{1}{4}$ to 1 percent for each month that the member is under age 65.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note IV: Pension Plans (Continued)

Significant Legislation (Continued)

PERS and TPAF employee contribution rates will increase from 5.5% to 6.5% of salary effective October 2011. The second phase of the contribution rate increase from 6.5% to 7.5% is to be phased in equally over a 7 year period beginning July 2012. The contribution rate will increase by 0.14% each year with the first payroll of July until the 7.5% contribution rate is reached in July 2018.

Under a provision of Chapter 78, P.L. 2011, Cost of Living Adjustments (COLA) are suspended for all current and future retirees of all retirement systems. There is no reduction to any COLA increases that were already added to retiree benefits prior to the effective date of the law.

Contribution Requirements

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 6.50 percent for TPAF and PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the TPAF and PERS. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums.

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012, for TPAF, annual pension cost differs from the annual required contribution. For PERS, the annual pension cost equals the annual required contribution made.

Contributions – Actual

The Commission's total payroll for the year ended June 30, 2012 was \$6,351,728.60 and covered payroll was \$3,715,744.00 for TPAF and \$1,837,910.00 for PERS. Contributions to the TPAF and the PERS for the last three years ended June 30 made by the employees, the Board, and the State of New Jersey on behalf of the Board were as follows:

		<u>TPAF</u>	Percent of Covered <u>Payroll</u>	<u>PERS</u>	Percent of Covered <u>Payroll</u>
Employees	6/30/10	259,330.88	5.53%	142,704.47	5.69%
	6/30/11	230,976.65	5.51%	123,778.79	5.58%
	6/30/12	239,447.82	6.44%	116,937.19	6.36%
Board of Education	6/30/10			202,866.00	8.09%
	6/30/11			269,482.00	12.14%
	6/30/11			284,341.00	15.47%
State of New Jersey	6/30/10	308,378.00	6.57%		
	6/30/11	328,080.00	7.83%		
	6/30/12	450,476.00	12.12%		

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note IV: Pension Plans (Continued)

Contributions – Actual (Continued)

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$306,219.32 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount and the State of New Jersey's Contribution to the TPAF have been included in the basic financial statements and the budgetary comparison schedule – General Fund as a revenue and expenditure in accordance with GASB 24.

Note V: Post-Retirement Medical Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011 there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides free health benefits to members of PERS who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

The Reporting and Disclosure Requirements Promulgated by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefit Plans Other Than Pension Plans* are not applicable for the Commission.

The Commission contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb43-sept2008.pdf.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(CONTINUED)

Note VI: Risk Management

The Commission is a member of the Educational Services Commission of Morris County Workers' Compensation Insurance Fund of New Jersey ("Fund"). The Fund is an insured and self-administered workers' compensation liability pool. The Commission pays an annual assessment to the Fund and should it be determined that payments received by the Fund are deficient, additional assessments may be levied. Additionally, the Fund maintains a contract of excess insurance with a commercial reinsurer to secure the payment of statutory workers' compensation benefits. The Commission continues to carry commercial insurance coverage for all other risks of loss.

Note VII: Compensated Absences

The Commission accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Commission employees are granted vacation and sick leave in varying amounts under the Commission's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and an employee is eligible to receive compensation upon announcing their retirement.

In the Commission-wide *Statement of Net Assets*, the liabilities whose average maturities are greater than one year are reported in two components – the amount due within one year and the amount due in more than one year.

Note VIII: Contingent Liabilities

The Attorney for the Educational Services Commission of Morris County has informed us that the Commission has no outstanding lawsuits as of the balance sheet date through the date of audit. Additional liabilities, if not covered by insurance, should not be material in amount.

Note IX: Subsequent Events

The Educational Services Commission of Morris County's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of audit.

**REQUIRED SUPPLEMENTARY INFORMATION -
PART II**

SECTION C
BUDGETARY COMPARISON SCHEDULES

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2012

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:						
Local Sources:						
Other Local Government Units		\$ 1,208,916.00	\$ (272,008.05)	\$ 936,907.95	\$ 922,205.45	\$ (14,702.50)
Tuition		3,422,298.96	(333,981.56)	3,088,317.40	3,088,317.40	-
Transportation Fees		17,496,626.68	(2,471,463.11)	15,025,163.57	15,025,163.57	-
Miscellaneous		20,000.00	-	20,000.00	43,813.99	23,813.99
Total - Local Sources		<u>22,147,841.64</u>	<u>(3,077,452.72)</u>	<u>19,070,388.92</u>	<u>19,079,500.41</u>	<u>9,111.49</u>
State Sources:						
TPAF Pension (On-Behalf - Non-Budgeted)		-	-	-	450,476.00	450,476.00
TPAF Social Security (Reimbursed - Non-Budgeted)		-	-	-	306,219.32	306,219.32
Total State Sources		<u>-</u>	<u>-</u>	<u>-</u>	<u>756,695.32</u>	<u>756,695.32</u>
Total Revenues		<u>22,147,841.64</u>	<u>(3,077,452.72)</u>	<u>19,070,388.92</u>	<u>19,836,195.73</u>	<u>765,806.81</u>
EXPENDITURES:						
Current Expense:						
Regular Programs - Undistributed Instruction						
Other Salaries for Instruction	190-100-106	170,860.00	(170,860.00)	-	-	-
General Supplies	190-100-610	8,000.00	(8,000.00)	-	-	-
Other Objects	190-100-800	3,000.00	(3,000.00)	-	-	-
TOTAL REGULAR PROGRAMS - INSTRUCTION		<u>181,860.00</u>	<u>(181,860.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>
SPECIAL EDUCATION - INSTRUCTION						
Multiple Disabilities:						
Salaries of Teachers	212-100-101	448,027.00	204,640.59	652,667.59	652,667.16	0.43
Other Salaries for Instruction	212-100-105	-	27,815.50	27,815.50	27,815.50	-
Other Salaries for Instruction	212-100-106	411,526.00	(158,326.57)	253,199.43	253,199.43	-
Other Salaries for Instruction	212-100-110	-	2,440.80	2,440.80	2,440.80	-
Purchased Professional-Educational Services	212-100-320	-	15,075.00	15,075.00	15,075.00	-
General Supplies	212-100-610	400.00	26,066.25	26,466.25	26,466.25	-
Other Objects	212-100-800	-	5,646.45	5,646.45	5,646.45	-
Total Multiple Disabilities		<u>859,953.00</u>	<u>123,358.02</u>	<u>983,311.02</u>	<u>983,310.59</u>	<u>0.43</u>
Preschool Disabilities - Full-Time:						
Salaries of Teachers	216-100-101	91,114.00	(38,692.30)	52,421.70	52,421.70	-
Total Preschool Disabilities - Full-Time		<u>91,114.00</u>	<u>(38,692.30)</u>	<u>52,421.70</u>	<u>52,421.70</u>	<u>-</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION		<u>951,067.00</u>	<u>84,665.72</u>	<u>1,035,732.72</u>	<u>1,035,732.29</u>	<u>0.43</u>
Total Instruction		<u>1,132,927.00</u>	<u>(97,194.28)</u>	<u>1,035,732.72</u>	<u>1,035,732.29</u>	<u>0.43</u>
Undistributed Expenditures - Instruction:						
Tuition to County Voc. School Dist. - Special	000-100-564	3,280.00	(3,280.00)	-	-	-
Total Undistributed Expenditures - Instruction:		<u>3,280.00</u>	<u>(3,280.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Undist. Expend. - Health Services						
Salaries	000-213-100	68,387.00	(5,229.82)	63,157.18	63,157.18	-
Purchased Professional and Technical Services	000-213-300	6,292.00	8,767.40	15,059.40	15,059.40	-
Supplies and Materials	000-213-600	935.00	(54.57)	880.43	880.43	-
Total Undistributed Expenditures - Health Services		<u>75,614.00</u>	<u>3,483.01</u>	<u>79,097.01</u>	<u>79,097.01</u>	<u>-</u>
Undist. Expend. - Other Supp. Serv. Students - Related Serv.						
Salaries of Other Professional Staff	000-216-100	317,513.00	(31,058.00)	286,455.00	286,455.00	-
Purchased Professional - Educational Services	000-216-320	18,544.00	(1,109.00)	17,435.00	17,435.00	-
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.		<u>336,057.00</u>	<u>(32,167.00)</u>	<u>303,890.00</u>	<u>303,890.00</u>	<u>-</u>
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.						
Salaries of Other Professional Staff	000-217-100	30,000.00	(30,000.00)	-	-	-
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.		<u>30,000.00</u>	<u>(30,000.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2012
(Continued)

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Other Supp. Serv. Students-Special						
Salaries of Other Professional Staff	000-219-104	\$ 618,303.00	\$ (506,696.44)	\$ 111,606.56	\$ 111,606.56	\$ -
Salaries of Secretarial and Clerical Assistants	000-219-105	150,542.00	(150,542.00)	-	-	-
Other Salaries	000-219-110	-	179,495.27	179,495.27	179,495.27	-
Purchased Professional - Educational Services	000-219-320	63,624.00	(63,624.00)	-	-	-
Other Purchased Prof. and Tech. Services	000-219-390	-	198,489.07	198,489.07	198,489.07	-
Misc. Pur. Serv. (400-500 series) Other Than Residential Costs	000-219-592	6,934.00	(5,093.61)	1,840.39	1,840.39	-
Supplies and Materials	000-219-600	14,849.00	(693.36)	14,155.64	14,155.64	-
Other Objects	000-219-800	28,005.00	(19,171.14)	8,833.86	8,833.86	-
Total Undist. Expend. - Other Supp. Serv. Students-Spl.		882,257.00	(367,836.21)	514,420.79	514,420.79	-
Undist. Expend. - Supp. Serv. - General Admin.						
Salaries	000-230-100	328,757.00	(82,658.65)	246,098.35	194,661.91	51,436.44
Legal Services	000-230-331	14,336.00	3,175.27	17,511.27	17,511.06	0.21
Audit Fees	000-230-332	18,000.00	-	18,000.00	15,800.00	2,200.00
Other Purchased Professional Services	000-230-339	5,035.00	-	5,035.00	-	5,035.00
Communications/Telephone	000-230-530	83,205.00	(15,939.04)	67,265.96	63,796.66	3,469.30
Other Purchased Services (400-500 series)	000-230-590	74,982.00	19,885.88	94,867.88	90,900.06	3,967.82
Supplies and Materials	000-230-600	27,300.00	(1,060.00)	26,240.00	18,408.25	7,831.75
Miscellaneous Expenditures	000-230-890	42,000.00	-	42,000.00	39,794.93	2,205.07
Total Undist. Expend. - Supp. Serv. - General Admin.		593,615.00	(76,596.54)	517,018.46	440,872.87	76,145.59
Undist. Expend. - Support Serv. - School Admin.						
Salaries of Principals/Assistant Principals	000-240-103	151,636.00	(54,306.34)	97,329.66	97,328.84	0.82
Salaries of Other Professional Staff	000-240-104	15,750.00	(8,489.04)	7,260.96	7,260.96	-
Salaries of Secretarial and Clerical Assistants	000-240-105	37,800.00	(6,164.34)	31,635.66	31,635.66	-
Purchased Professional and Technical Services	000-240-300	9,700.00	(321.78)	9,378.22	9,378.22	-
Other Purchased Services (400-500 series)	000-240-500	3,500.00	(172.52)	3,327.48	3,327.48	-
Supplies and Materials	000-240-600	11,000.00	(462.33)	10,537.67	10,537.67	-
Other Objects	000-240-800	6,300.00	26.21	6,326.21	6,326.21	-
Total Undist. Expend. - Support Serv. - School Admin.		235,686.00	(69,890.14)	165,795.86	165,795.04	0.82
Undist. Expend. - Central Services						
Salaries	000-251-100	183,685.00	7,948.26	191,633.26	138,675.38	52,957.88
Purchased Professional and Technical Services	000-251-300	11,400.00	282.00	11,682.00	11,682.00	-
Other Purchased Services (400-500 series)	000-251-500	1,000.00	-	1,000.00	-	1,000.00
Supplies and Materials	000-251-600	2,500.00	(1,782.00)	718.00	127.01	590.99
Interest for Lease Purchase Agreements	000-251-832	106,987.00	(2,000.74)	104,986.26	104,986.26	-
Miscellaneous Expenditures	000-251-890	1,000.00	-	1,000.00	687.50	312.50
BOE Member Dues and Fees	000-251-895	-	1,500.00	1,500.00	1,315.00	185.00
Total Undist. Expend. - Central Services		306,572.00	5,947.52	312,519.52	257,473.15	55,046.37
Undist. Expend. - Admin. Information Technology						
Salaries	000-252-100	34,273.00	(6,334.32)	27,938.68	27,000.00	938.68
Total Undist. Expend. - Admin. Information Technology		34,273.00	(6,334.32)	27,938.68	27,000.00	938.68
Undist. Expend. - Required Maint. for Sch. Facil.						
Cleaning, Repair and Maintenance Services	000-261-420	75,145.00	11,862.51	87,007.51	87,007.51	-
Total Undist. Expend. - Required Maint. for Sch. Facil.		75,145.00	11,862.51	87,007.51	87,007.51	-
Undist. Expend. - Oth. Oper. & Maint. of Plant						
Salaries	000-262-100	90,322.00	(33,905.87)	56,416.13	56,416.13	-
Cleaning, Repair and Maintenance Services	000-262-420	5,311.00	(3,896.00)	1,415.00	1,415.00	-
Rental of Land & Buildings Other than Lease Purchase Agreements	000-262-441	137,385.00	28,756.80	166,141.80	133,927.75	32,214.05
Other Purchased Property Services	000-262-490	14,150.00	(14,150.00)	-	-	-
General Supplies	000-262-610	15,231.00	6,100.00	21,331.00	21,313.79	17.21
Energy (Energy and Electricity)	000-262-620	95,151.00	(23,880.81)	71,270.19	71,270.19	-
Total Undist. Expend. - Other Oper. & Maint. Of Plant		357,550.00	(40,975.88)	316,574.12	284,342.86	32,231.26
Care and Upkeep of Grounds						
Cleaning, Repair and Maintenance Services	000-263-420	2,821.00	1,211.00	4,032.00	4,031.19	0.81
Total Care and Upkeep of Grounds		2,821.00	1,211.00	4,032.00	4,031.19	0.81
Undist. Expend. - Student Transportation Serv.						
Salaries for Pupil Trans. (Other than Between Home & School)	000-270-109	-	210,434.18	210,434.18	208,808.64	1,625.54
Salaries for Pupil Trans. (Other than Between Home & School)- Sp Ed	000-270-161	246,561.00	(246,561.00)	-	-	-
Salaries for Pupil Trans. (Other than Between Home & School)	000-270-162	2,989.00	5,186.81	8,175.81	8,175.81	-
Management Fees - ESC & CTSA Transportation Programs	000-270-350	-	18,339.00	18,339.00	11,362.34	6,976.66
Other Purchased Professional and Technical Services	000-270-390	51,570.00	(40,876.66)	10,693.34	10,693.34	-
Cleaning, Repair and Maintenance Services	000-270-420	20,000.00	(12,294.37)	7,705.63	7,705.63	-
Contracted Services - Aid in Lieu of Payments-Non Public	000-270-503	1,004,895.00	(61,096.82)	943,798.18	943,798.18	-
Contracted Services (Between Home and School) - Vendors	000-270-511	785,395.00	18,822.89	804,217.89	804,217.89	-
Contracted Services (Other than Between Home and School) - Vendors	000-270-512	12,810.00	(6,629.00)	6,181.00	6,181.00	-
Contracted Services (Between Home and School) - Joint Agreements	000-270-513	1,765,820.00	(411,570.79)	1,354,249.21	1,354,249.21	-
Contracted Services (Special Education Students) - Vendors	000-270-514	12,115,530.00	(1,799,080.20)	10,316,449.80	10,316,449.80	-
Contracted Services (Special Education Students) - Joint Agreements	000-270-515	1,110,000.00	(141,142.02)	968,857.98	967,721.31	1,136.67
Miscellaneous Purchased Services - Transportation	000-270-593	27,050.00	(1,881.12)	25,168.88	19,918.20	5,250.68
Supplies and Materials	000-270-600	20,000.00	(6,800.00)	13,200.00	9,695.37	3,504.63
Other Trans. Costs of Special Education Pupils - District Vehicles	000-270-810	10,000.00	(10,000.00)	-	-	-
Miscellaneous Expenditures	000-270-890	-	10,000.00	10,000.00	7,633.45	2,366.55
Total Undist. Expend. - Student Transportation Serv.		17,172,620.00	(2,475,149.10)	14,697,470.90	14,676,610.17	20,860.73

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2012
(Concluded)

		<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
UNALLOCATED BENEFITS						
Social Security Contributions	000-291-220	\$ 88,276.00	\$ 8,183.00	\$ 96,459.00	\$ 86,944.53	\$ 9,514.47
Other Retirement Contributions - Regular	000-291-241	269,482.00	(132,746.30)	136,735.70	136,734.20	1.50
Unemployment Compensation	000-291-250	9,683.00	1,754.83	11,437.83	10,003.98	1,433.85
Workmen's Compensation	000-291-260	74,617.00	(34,087.00)	40,530.00	35,922.00	4,608.00
Health Benefits	000-291-270	1,091,674.00	(26,074.69)	1,065,599.31	880,499.70	185,099.61
Tuition Reimbursement	000-291-280	28,500.00	1,327.02	29,827.02	13,440.52	16,386.50
TOTAL UNALLOCATED BENEFITS		<u>1,562,232.00</u>	<u>(181,643.14)</u>	<u>1,380,588.86</u>	<u>1,163,544.93</u>	<u>217,043.93</u>
On-behalf TPAF pension Contributions (non-budgeted)		-	-	-	450,476.00	(450,476.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)		-	-	-	306,219.32	(306,219.32)
TOTAL ON-BEHALF CONTRIBUTIONS		<u>-</u>	<u>-</u>	<u>-</u>	<u>756,695.32</u>	<u>(756,695.32)</u>
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS		<u>1,562,232.00</u>	<u>(181,643.14)</u>	<u>1,380,588.86</u>	<u>1,920,240.25</u>	<u>(539,651.39)</u>
TOTAL UNDISTRIBUTED EXPENDITURES		<u>21,667,722.00</u>	<u>(3,261,368.29)</u>	<u>18,406,353.71</u>	<u>18,760,780.84</u>	<u>(354,427.13)</u>
TOTAL GENERAL CURRENT EXPENSE		<u>22,800,649.00</u>	<u>(3,358,562.57)</u>	<u>19,442,086.43</u>	<u>19,796,513.13</u>	<u>(354,426.70)</u>
CAPITAL OUTLAY						
Facilities Acquisition and Construction Services						
Construction Services	000-400-450	-	18,500.00	18,500.00	18,500.00	-
Lease Purchase Agreements - Principal	000-400-721	155,000.00	-	155,000.00	155,000.00	-
Total Facilities Acquisition and Construction Services		<u>155,000.00</u>	<u>18,500.00</u>	<u>173,500.00</u>	<u>173,500.00</u>	<u>-</u>
TOTAL CAPITAL OUTLAY		<u>155,000.00</u>	<u>18,500.00</u>	<u>173,500.00</u>	<u>173,500.00</u>	<u>-</u>
TOTAL EXPENDITURES		<u>22,955,649.00</u>	<u>(3,340,062.57)</u>	<u>19,615,586.43</u>	<u>19,970,013.13</u>	<u>(354,426.70)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures		<u>(807,807.36)</u>	<u>262,609.85</u>	<u>(545,197.51)</u>	<u>(133,817.40)</u>	<u>411,380.11</u>
Other Financing Sources/(Uses):						
Operating Transfer In:						
Transfer from Capital Projects Fund		-	-	-	7.42	7.42
Operating Transfer Out:						
Transfer to Transportation Leasing Fund		-	-	-	(1,051,000.00)	(1,051,000.00)
Transfer to Food Service Fund		(18,400.00)	(4,071.55)	(22,471.55)	(22,243.57)	227.98
Total Other Financing Sources/(Uses):		<u>(18,400.00)</u>	<u>(4,071.55)</u>	<u>(22,471.55)</u>	<u>(1,073,236.15)</u>	<u>(1,050,764.60)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)		<u>(826,207.36)</u>	<u>258,538.30</u>	<u>(567,669.06)</u>	<u>(1,207,053.55)</u>	<u>(639,384.49)</u>
Fund Balance, July 1		<u>2,663,538.68</u>	<u>-</u>	<u>2,663,538.68</u>	<u>2,663,538.68</u>	<u>-</u>
Fund Balance, June 30		<u>\$ 1,837,331.32</u>	<u>\$ 258,538.30</u>	<u>\$ 2,095,869.62</u>	<u>\$ 1,456,485.13</u>	<u>\$ (639,384.49)</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance <u>Final to Actual</u>
REVENUES:					
State Sources	\$1,543,757.00	\$ 33,866.36	\$ 1,577,623.36	\$ 1,577,623.36	\$ -
Federal Sources	<u>134,248.00</u>	<u>217,512.48</u>	<u>351,760.48</u>	<u>351,760.48</u>	<u>-</u>
Total Revenues	<u>1,678,005.00</u>	<u>251,378.84</u>	<u>1,929,383.84</u>	<u>1,929,383.84</u>	<u>-</u>
EXPENDITURES:					
Instruction					
Personal Services - Salaries	309,882.82	156,773.37	466,656.19	466,656.19	-
Purchased Professional and Technical Services	7,752.50	(635.00)	7,117.50	7,117.50	-
General Supplies	1,500.00	(1,500.00)	-	-	-
Textbooks	187,188.00	(14,507.88)	172,680.12	172,680.12	-
Other Objects	<u>2,000.00</u>	<u>(2,000.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Instruction	<u>508,323.32</u>	<u>138,130.49</u>	<u>646,453.81</u>	<u>646,453.81</u>	<u>-</u>
Support Services					
Personal Services - Salaries	677,385.89	48,826.68	726,212.57	726,212.57	-
Personal Services - Employee Benefits	118,435.00	(14,590.32)	103,844.68	103,844.68	-
Purchased Professional and Technical Services	106,804.00	96,256.90	203,060.90	203,060.90	-
Other Purchased Services (400-500 series)	400.00	(326.81)	73.19	73.19	-
Travel	2,030.00	(709.82)	1,320.18	1,320.18	-
Supplies & Materials	<u>264,626.79</u>	<u>(16,208.28)</u>	<u>248,418.51</u>	<u>248,418.51</u>	<u>-</u>
Total Support Services	<u>1,169,681.68</u>	<u>113,248.35</u>	<u>1,282,930.03</u>	<u>1,282,930.03</u>	<u>-</u>
Total Expenditures	<u>1,678,005.00</u>	<u>251,378.84</u>	<u>1,929,383.84</u>	<u>1,929,383.84</u>	<u>-</u>
Total Outflows	<u>\$1,678,005.00</u>	<u>\$ 251,378.84</u>	<u>\$ 1,929,383.84</u>	<u>\$ 1,929,383.84</u>	<u>\$ -</u>

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures**

	<u>Exhibit</u>	General <u>Fund</u>	Special Revenue <u>Fund</u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue"			
from the budgetary comparison schedule	[C-1,C-2]	\$ 19,970,013.13	\$ 1,929,383.84
Difference - budget to GAAP:			
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense in accordance with GASB 33.		-	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	<u>\$ 19,970,013.13</u>	<u>\$ 1,929,383.84</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-2]		\$ 1,929,383.84
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.			-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	\$ -		
Net transfers (outflows) to general fund			-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>\$ -</u>	<u>\$ 1,929,383.84</u>

OTHER SUPPLEMENTARY INFORMATION

SECTION D
SCHOOL LEVEL SCHEDULES

SECTION E
SPECIAL REVENUE FUND

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2012

		<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>
REVENUES				
State Sources		\$ 1,577,623.36	\$1,577,623.36	\$ -
Federal Sources		<u>351,760.48</u>	<u>-</u>	<u>351,760.48</u>
Total Revenues		<u>1,929,383.84</u>	<u>1,577,623.36</u>	<u>351,760.48</u>
EXPENDITURES:				
Instruction:				
Personal Services - Salaries	100-100	466,656.19	388,831.29	77,824.90
Purchased Professional and Technical Services	100-300	7,117.50	7,117.50	-
Textbooks	100-640	<u>172,680.12</u>	<u>172,680.12</u>	<u>-</u>
Total Instruction		<u>646,453.81</u>	<u>568,628.91</u>	<u>77,824.90</u>
Support Services:				
Personal Services - Salaries	200-100	726,212.57	722,477.83	3,734.74
Personal Services - Employee Benefits	200-200	103,844.68	103,844.68	
Purchased Professional and Technical Services	200-300	203,060.90	162,414.98	40,645.92
Other Purchased Services (400-500 series)	200-500	73.19	73.19	
Travel	200-580	1,320.18	1,320.18	
Supplies and Materials	200-600	248,418.51	18,863.59	229,554.92
Other Objects	200-800	<u>-</u>	<u>-</u>	<u>-</u>
Total Support Services		<u>1,282,930.03</u>	<u>1,008,994.45</u>	<u>273,935.58</u>
Total Expenditures		<u>\$ 1,929,383.84</u>	<u>\$1,577,623.36</u>	<u>\$ 351,760.48</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Special Revenue Fund
Combining Schedule of State Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2012

			N.J. Nonpublic Textbook Aid	N.J. Nonpublic Auxiliary Services	N.J. Nonpublic Handicapped Services	N.J. Nonpublic Nursing Services
REVENUES						
State Sources			\$ 1,577,623.36	\$ 238,487.95	\$ 652,649.29	\$ 513,806.00
Total State Revenues			<u>1,577,623.36</u>	<u>238,487.95</u>	<u>652,649.29</u>	<u>513,806.00</u>
EXPENDITURES:						
Instruction:						
Personal Services - Salaries	100-100		388,831.29	157,201.37	231,629.92	
Purchased Professional and Technical Services	100-300		7,117.50	-	7,117.50	
Textbooks	100-640		172,680.12	-	-	
Total Instruction			<u>568,628.91</u>	<u>157,201.37</u>	<u>238,747.42</u>	
Support Services:						
Personal Services - Salaries	200-100		722,477.83	53,787.13	214,307.13	454,383.57
Personal Services - Employee Benefits	200-200		103,844.68	27,244.88	37,420.96	39,178.84
Purchased Professional and Technical Services	200-300		162,414.98	190.98	160,844.00	1,380.00
Other Purchased Services (400-500 series)	200-500		73.19		73.19	
Travel	200-580		1,320.18	63.59	1,256.59	
Supplies & Materials	200-600		18,863.59	-	-	18,863.59
Total Support Services			<u>1,008,994.45</u>	<u>81,286.58</u>	<u>413,901.87</u>	<u>513,806.00</u>
Total Expenditures			<u>\$ 1,577,623.36</u>	<u>\$ 238,487.95</u>	<u>\$ 652,649.29</u>	<u>\$ 513,806.00</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Special Revenue Fund
Combining Schedule of Federal Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2012

		I.D.E.A.			
			N.C.L.B.	Part B	
		Total	Title II	Basic	ARRA
REVENUES					
Federal Sources		\$ 351,760.48	\$1,973.63	\$336,290.32	\$ 13,496.53
Total Federal Revenues		351,760.48	1,973.63	336,290.32	13,496.53
EXPENDITURES:					
Instruction:					
Personal Services - Salaries	100-100	77,824.90	-	77,824.90	
Total Instruction		77,824.90	-	77,824.90	
Support Services:					
Personal Services - Salaries	200-100	3,734.74	91.79	2,977.86	665.09
Purchased Professional and					
Technical Services	200-300	40,645.92	1,835.85	38,810.07	
Supplies and Materials	200-600	229,554.92	45.99	216,677.49	12,831.44
Total Support Services		273,935.58	1,973.63	258,465.42	13,496.53
Total Expenditures		\$ 351,760.48	\$ 1,973.63	\$ 336,290.32	\$ 13,496.53

SECTION F
CAPITAL PROJECTS FUND

SECTION G
PROPRIETARY FUNDS

ENTERPRISE FUND

INTERNAL SERVICE FUND

SECTION H
FIDUCIARY FUND

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2012

<u>Schools</u>	<u>Balance June 30, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
Park Lake	\$ 33.89	\$ 450.00	\$ -	\$ 483.89
Regional Day	<u>9,586.54</u>	<u>8,015.90</u>	<u>12,423.22</u>	<u>5,179.22</u>
	<u>\$ 9,620.43</u>	<u>\$ 8,465.90</u>	<u>\$ 12,423.22</u>	<u>\$ 5,663.11</u>

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2012

	<u>Balance June 30, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
Payroll Deductions and Withholdings	\$ 12,404.30	\$ 2,756,526.12	\$ 2,724,560.70	\$ 44,369.72
Net Salaries and Wages	<u>-</u>	<u>4,296,450.68</u>	<u>4,296,450.68</u>	<u>-</u>
	<u>\$ 12,404.30</u>	<u>\$ 7,052,976.80</u>	<u>\$ 7,021,011.38</u>	<u>\$ 44,369.72</u>

SECTION I
LONG – TERM DEBT

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 Long - Term Debt
 Schedule of MCIA Bonds
 For the Fiscal Year Ended June 30, 2012

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities of Bonds Outstanding June 30, 2012</u>		<u>Interest Rate</u>	<u>Balance June 30, 2011</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2012</u>
			<u>Date</u>	<u>Amount</u>				
COP'S Refunding and Various Improvements to Commission's School Buildings	3/31/2004	\$ 4,940,000.00	10/1/2012	\$ 155,000.00	3.125%	\$ 2,760,000.00	\$ 155,000.00	\$ 2,605,000.00
			10/1/2013	165,000.00	3.200%			
			10/1/2014	175,000.00	3.500%			
			10/1/2015	180,000.00	3.750%			
			10/1/2016	190,000.00	4.125%			
			10/1/2017	195,000.00	4.125%			
			10/1/2018	205,000.00	4.125%			
			10/1/2019	215,000.00	4.125%			
			10/1/2020	225,000.00	4.125%			
			10/1/2021	235,000.00	4.125%			
			10/1/2022	240,000.00	4.125%			
			10/1/2023	255,000.00	4.125%			
Purchase of Buses	7/1/2005	1,700,000.00	9/1/2012	275,000.00		540,000.00	265,000.00	275,000.00
						<u>\$ 3,300,000.00</u>	<u>\$ 420,000.00</u>	<u>\$ 2,880,000.00</u>

STATISTICAL SECTION (Unaudited)

Financial Trends

J-1	Net Assets by Component
J-2	Changes in Net Assets
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J-5	General Fund - Other Local Revenue by Source

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J-8	Principal Property Taxpayers
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Debt Capacity

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**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited**

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 2,093,437.87	\$ 1,993,345.90	\$ 1,914,753.93	\$ 1,660,825.99	\$ 1,352,943.82	\$ 929,860.06	\$ 556,589.69	\$ (1,965,336.79)	\$ (2,927,044.80)	\$ 426,034.55
Restricted	524,636.15	524,636.15	524,594.25	572,904.08	582,712.63	2,103,108.60	786,534.01	2,969,290.62	3,690,297.92	-
Unrestricted	1,256,042.20	2,457,735.59	2,452,852.27	2,659,789.14	2,399,281.08	2,141,825.41	2,493,046.18	1,994,554.46	1,182,303.95	141,397.17
Total Governmental Activities Net Assets	\$ 3,874,116.22	\$ 4,975,717.64	\$ 4,892,200.45	\$ 4,893,519.21	\$ 4,334,937.53	\$ 5,174,794.07	\$ 3,836,169.88	\$ 2,988,508.29	\$ 1,945,557.07	\$ 567,431.72
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 353,340.86	\$ 119,910.52	\$ (25,104.40)	\$ (160,119.32)	\$ (280,134.24)	\$ (390,149.16)	\$ (490,184.08)	\$ 6,085.22	\$ 7,102.59	\$ 1,683.50
Restricted	144,360.12	198,640.08	198,640.08	198,640.08	196,281.90	196,281.90	387,456.38	-	-	-
Unrestricted	272,015.95	(587,220.32)	(431,254.40)	2,633.55	191,765.16	25,518.75	(220,383.49)	(38,713.33)	1,260.32	783,382.43
Total Business-Type Activities Net Assets	\$ 769,716.93	\$ (268,669.72)	\$ (257,718.72)	\$ 41,154.31	\$ 107,912.82	\$ (168,348.51)	\$ (323,091.19)	\$ (32,628.11)	\$ 8,362.91	\$ 785,065.93
District-Wide										
Invested in Capital Assets, Net of Related Debt	\$ 2,446,778.73	\$ 2,113,256.42	\$ 1,869,649.53	\$ 1,500,706.67	\$ 1,072,809.58	\$ 539,710.90	\$ 66,425.61	\$ (1,959,251.57)	\$ (2,919,942.21)	\$ 427,718.05
Restricted	668,996.27	723,276.23	723,234.33	771,544.16	778,994.53	2,299,390.50	1,173,990.39	2,969,290.62	3,690,297.92	-
Unrestricted	1,528,058.15	1,870,515.27	2,021,597.87	2,662,422.69	2,591,046.24	2,167,344.16	2,272,662.69	1,955,841.13	1,183,564.27	924,779.60
Total District Net Assets	\$ 4,643,833.15	\$ 4,707,047.92	\$ 4,634,481.73	\$ 4,934,673.52	\$ 4,442,850.35	\$ 5,006,445.56	\$ 3,513,078.69	\$ 2,965,880.18	\$ 1,953,919.98	\$ 1,352,497.65

Source: District Records

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental Activities										
Instruction										
Regular	\$ -	\$ 132,481.14	\$ 236,376.15	\$ 280,068.67	\$ 251,524.18	\$ 293,493.61	\$ 235,361.73	\$ 261,927.59	\$ 246,549.79	\$ 266,545.63
Special Education	2,760,659.75	2,665,112.47	2,853,623.74	2,877,609.81	2,958,997.37	2,698,912.67	2,279,242.13	2,279,047.45	2,045,705.91	2,397,082.53
Other Special Instruction	-	-	-	-	-	-	-	-	12,957.44	572.20
Support Services:										
Tuition	2,589,574.31	2,709,253.22	3,280.00	3,180.00	8,130.00	6,530.00	3,032.00	8,458.00	1,850.00	1,650.00
Student and Instruction Related Services	362,730.23	341,136.00	3,143,185.20	3,034,704.38	2,639,126.82	2,642,622.82	2,670,582.75	2,453,399.98	2,648,024.89	2,295,625.07
School Administrative Services	952,783.38	1,007,247.57	469,846.53	466,047.33	518,722.74	528,872.65	450,723.88	483,853.06	391,860.70	499,127.94
General and Business Administrative Services	402,539.88	430,991.15	909,266.78	1,206,346.59	1,191,487.63	1,147,815.95	1,073,266.74	1,023,592.54	987,919.66	998,345.38
Plant Operations and Maintenance	14,725,657.29	14,828,152.38	15,264,024.10	15,530,007.65	16,472,428.07	13,913,002.38	14,151,852.63	13,552,478.97	11,678,344.26	11,503,596.22
Pupil Transportation	21,793,944.84	22,114,373.93	23,287,697.14	23,926,180.16	24,591,765.72	21,743,837.43	21,277,108.50	20,436,913.12	18,480,187.62	18,363,001.57
Total Governmental Activities Expenses										
Business-Type Activities:										
Food Service	74,643.25	82,665.11	79,537.77	84,463.16	75,326.79	75,600.41	83,655.83	75,772.49	77,337.88	74,763.40
Regional Day School	3,629,846.85	3,993,499.72	4,491,832.83	4,747,032.29	4,624,511.40	4,072,973.10	3,873,196.84	3,439,172.61	3,755,257.21	3,033,230.79
Cornerstone College	-	27,761.36	92,109.97	54,226.22	-	-	-	-	-	-
BOSS	412,905.53	510,137.00	591,593.87	211,900.89	-	-	-	-	-	-
Adult School	1,078,816.41	1,053,232.29	1,006,335.03	911,456.39	1,050,454.01	1,200,454.39	743,742.31	114,266.62	133,110.70	122,824.46
Transportation Leasing	5,196,212.04	5,667,295.48	6,261,409.47	6,009,078.95	5,750,292.20	5,349,027.90	4,700,594.96	3,629,211.72	3,965,705.79	3,256,064.65
Child Care	26,990,156.88	27,781,669.41	29,549,106.61	29,935,259.11	30,342,057.92	27,092,865.33	25,977,703.48	24,066,124.84	22,445,893.41	21,619,066.22
Total Business-Type Activities Expense										
Total District-Wide Expenses										
Program Revenues										
Governmental Activities:										
Charges for Services:										
Pupil Transportation	15,025,163.57	15,058,641.34	15,564,270.83	15,908,866.56	15,332,647.89	15,678,527.20	14,295,086.91	13,458,727.64	11,659,250.88	11,213,635.46
Operating Grants and Contributions	2,686,079.16	2,466,732.31	2,634,010.01	2,848,874.98	2,912,443.56	2,687,031.86	2,295,066.94	2,147,218.20	2,094,751.51	2,169,835.90
Total Governmental Activities Program Revenues	17,711,242.73	17,525,373.65	18,198,280.84	18,757,741.54	18,245,091.45	18,365,559.06	16,590,153.85	15,605,945.84	13,754,002.39	13,382,471.36

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
Unaudited

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Business-Type Activities:										
Charges for Services										
Food Service	\$ 9,988.78	\$ 11,212.01	\$ 13,672.43	\$ 14,274.78	\$ 15,077.87	\$ 16,159.17	\$ 14,148.87	\$ 12,981.86	\$ 14,820.38	\$ 14,029.75
Regional Day School	3,674,720.68	4,131,243.13	4,357,419.31	4,803,766.61	4,739,277.75	4,264,265.89	3,768,307.55	3,384,335.33	3,040,900.67	2,968,140.32
Cornstone College			88,814.94	70,205.57						
BOSS	470,393.00	562,409.75	644,986.25	223,009.95						
Transportation Leasing	1,001,800.64	928,207.18	836,456.26	788,938.98	1,135,094.68	706,636.15	401,631.18	-	-	24,339.43
Adult School								118,594.76	104,198.18	122,685.79
Child Care										
Operating Grants and Contributions										
Food Service										
Regional Day School										
Total Business-Type Activities Program Revenues	5,156,883.10	5,634,072.07	5,941,349.19	5,900,195.89	5,889,450.30	4,988,593.71	4,194,913.39	3,527,156.60	3,171,648.97	20,770.88
Total District-Wide Program Revenues	22,868,125.83	23,159,445.72	24,139,630.03	24,657,937.43	24,134,541.75	23,354,142.77	20,785,087.24	19,133,102.44	18,925,651.36	16,544,538.89
Net (Expense)/Revenue										
Governmental Activities	(4,082,702.11)	(4,589,000.28)	(5,089,416.30)	(5,168,438.62)	(6,346,674.27)	(3,378,278.37)	(4,686,954.65)	(4,830,967.28)	(4,726,185.23)	(4,980,530.21)
Business-Type Activities	(39,328.94)	(33,223.41)	(320,060.28)	(108,883.06)	139,158.10	(380,444.19)	(505,681.59)	(102,055.12)	(794,086.82)	(93,997.12)
Total District-Wide Net Expense	(4,122,031.05)	(4,622,223.69)	(5,409,476.58)	(5,277,321.68)	(6,207,516.17)	(3,738,722.56)	(5,192,636.24)	(4,933,022.40)	(5,520,242.05)	(5,074,527.33)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Local Government Units	922,205.45	1,089,389.46	1,254,146.80	1,558,022.31	1,174,292.67	1,034,475.53	1,363,955.01	1,363,955.01	2,682,074.30	1,839,433.64
Tuition (other than special schools)	3,088,317.40	3,563,163.80	3,883,481.23	4,103,350.94	4,239,114.23	4,074,371.22	3,950,713.14	4,470,574.25	3,462,914.76	3,261,109.10
Investment Earnings	7.42	61.26	23.75	13,728.23	86,458.68	103,918.48	135,120.65	107,966.75	19,317.23	14,708.01
Miscellaneous Income	43,813.99	42,148.57	19,601.35	73,341.80	25,200.98	60,810.79	174,328.87	91,573.78	102,756.50	23,339.23
Transfers	(1,073,243.57)	(22,245.62)	(21,181.73)	(21,422.97)	(18,248.83)	(556,673.46)	(99,501.43)	(150,151.29)	(162,752.21)	(19,424.01)
Total Governmental Activities	2,981,100.69	4,574,517.47	5,136,071.40	5,727,020.31	5,506,817.73	4,716,902.56	5,524,616.24	5,883,918.50	6,104,310.58	5,119,166.97
Business-Type Activities:										
Investment Earnings	3.27	26.79	5.52	5,624.54	8,983.75	16,015.58	57,566.10	4,564.94	-	
Miscellaneous Income					109,870.65	107,352.00	114,861.71	36,035.25		
Transfers	1,077,712.32	22,245.62	21,181.73	21,422.97	18,248.83	391,819.29	42,790.70	20,463.91	17,353.80	20,330.58
Total Business-Type Activities	1,077,715.59	22,272.41	21,187.25	27,047.51	137,103.23	515,186.87	215,218.51	61,084.10	17,353.80	20,330.58
Total District-Wide General Revenues	4,058,816.28	4,694,789.88	5,157,258.65	5,754,067.82	5,643,920.96	5,232,089.43	5,739,834.75	5,944,982.60	6,121,664.38	5,139,497.55
Change in Net Assets										
Governmental Activities	(1,101,601.42)	83,517.19	46,655.10	558,581.69	(839,856.54)	1,338,624.19	837,661.59	1,052,951.22	1,378,125.35	138,636.76
Business-Type Activities	1,038,386.65	(10,951.00)	(298,873.03)	(81,835.55)	276,261.33	154,742.68	(290,483.08)	(40,991.02)	(776,703.02)	(73,666.54)
Total District-Wide Change in Net Assets	\$ (63,214.77)	\$ 72,566.19	\$ (252,217.93)	\$ 476,746.14	\$ (563,595.21)	\$ 1,493,366.87	\$ 547,178.51	\$ 1,011,960.20	\$ 601,422.33	\$ 64,970.22

Source: District Records

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

Fund Balances - Governmental Funds,
 Last Ten Fiscal Years
(modified accrual basis of accounting)
 Unaudited

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 12,750.00	\$ 1,393,741.53	\$ 1,796.46	\$ -	\$ -	\$ -
Unreserved	\$ 1,456,485.13	\$ 2,663,538.68	\$ 2,620,375.77	\$ 2,819,255.11	\$ 2,548,303.82	\$ 2,304,694.07	\$ 2,698,707.56	\$ 2,190,643.21	\$ 1,364,350.72	\$ 300,304.28
Total General Fund	<u>\$ 1,456,485.13</u>	<u>\$ 2,663,538.68</u>	<u>\$ 2,620,375.77</u>	<u>\$ 2,819,255.11</u>	<u>\$ 2,561,053.82</u>	<u>\$ 3,698,435.60</u>	<u>\$ 2,700,504.02</u>	<u>\$ 2,190,643.21</u>	<u>\$ 1,364,350.72</u>	<u>\$ 300,304.28</u>
All Other Governmental Funds										
Reserved	\$ 524,636.15	\$ 524,636.15	\$ 524,594.25	\$ 572,568.11	\$ 569,583.46	\$ 552,187.73	\$ 526,594.78	\$ 579,787.96	\$ 695,792.95	\$ -
Unreserved, Reported In:										
Special Revenue Fund	-	-	-	335.97	379.17	157,179.34	258,142.77	2,389,502.66	2,994,504.97	-
Capital Projects Fund	\$ 524,636.15	\$ 524,636.15	\$ 524,594.25	\$ 572,904.08	\$ 569,962.63	\$ 709,367.07	\$ 784,737.55	\$ 2,969,290.62	\$ 3,690,297.92	\$ -
Total All Other Governmental Funds	<u>\$ 524,636.15</u>	<u>\$ 524,636.15</u>	<u>\$ 524,594.25</u>	<u>\$ 572,904.08</u>	<u>\$ 569,962.63</u>	<u>\$ 709,367.07</u>	<u>\$ 784,737.55</u>	<u>\$ 2,969,290.62</u>	<u>\$ 3,690,297.92</u>	<u>\$ -</u>
Total Fund Balances	<u>\$ 1,981,121.28</u>	<u>\$ 3,188,174.83</u>	<u>\$ 3,144,970.02</u>	<u>\$ 3,392,159.19</u>	<u>\$ 3,131,016.45</u>	<u>\$ 4,407,802.67</u>	<u>\$ 3,485,241.57</u>	<u>\$ 5,159,933.83</u>	<u>\$ 5,054,648.64</u>	<u>\$ 300,304.28</u>

Source: District Records

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Changes in Fund Balances - Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Local Government Units	\$ 922,205.45	\$ 1,089,389.46	\$ 1,254,146.80	\$ 1,558,022.31	\$ 1,174,292.67	\$ 1,034,475.53	\$ 1,363,955.01	\$ 1,363,955.01	\$ 2,682,074.30	\$ 1,839,433.64
Tuition Charges	3,088,317.40	3,563,163.80	3,893,481.23	4,103,350.94	4,239,114.23	4,074,371.22	3,950,713.14	4,470,574.25	3,462,914.76	3,261,109.10
Transportation Fees	15,025,163.57	15,058,641.34	15,564,270.83	15,906,866.56	15,332,647.89	15,678,527.20	14,235,086.91	13,456,727.64	11,659,250.88	11,213,635.46
Interest Earnings	7.42	61.26	23.75	13,728.23	86,458.88	103,918.48	135,120.65	107,968.75	19,317.23	14,709.01
Miscellaneous	43,813.99	42,148.57	19,601.35	73,341.80	25,200.98	60,810.79	174,328.87	91,573.78	102,756.50	23,339.23
State Sources	2,334,318.68	2,218,857.27	2,372,828.50	2,658,452.39	2,783,499.56	2,689,337.27	2,249,346.37	2,116,117.16	2,036,172.31	2,089,856.56
Federal Sources	351,760.48	247,875.04	261,181.51	190,422.59	128,944.00	97,743.77	45,720.57	31,101.04	58,579.20	98,979.34
Total Revenues	21,765,586.99	22,220,136.74	23,355,533.97	24,508,184.82	23,770,158.01	23,639,184.26	22,214,271.52	21,640,015.63	20,021,065.18	18,521,062.34
Expenditures										
Instruction										
Regular Instruction		132,481.14	236,376.15	260,068.67	251,524.18	293,493.61	235,361.73	261,927.59	246,549.79	256,545.63
Special Education Instruction	1,682,186.10	1,639,176.62	1,734,515.78	1,879,886.92	1,903,608.59	1,643,194.02	1,489,185.64	1,644,005.48	1,468,944.88	1,478,030.52
Other Instruction									12,957.44	572.20
Support Services:										
Tuition			3,280.00	3,180.00	8,130.00	6,530.00	3,032.00	8,458.00	1,850.00	1,650.00
Student and Instruction Related Services	2,076,493.15	2,188,266.52	2,549,322.75	2,547,162.02	2,163,447.07	2,150,152.93	2,321,304.34	2,160,351.53	2,191,200.66	2,268,734.39
School Administrative Services	165,795.04	210,607.91	269,988.20	288,014.24	315,925.86	326,678.23	278,795.93	369,548.16	287,408.74	311,864.94
General and Business										
Administrative Services	725,346.02	799,650.21	672,791.57	983,205.49	948,664.65	993,341.19	850,381.59	869,510.81	857,439.26	774,952.41
Plant Operations and Maintenance	375,381.56	379,235.45	376,628.21	521,116.87	522,180.63	483,666.55	384,595.26	277,259.67	379,653.35	393,727.32
Pupil Transportation	14,676,610.17	14,670,959.06	15,202,140.67	15,475,861.92	16,419,769.08	13,860,772.26	14,075,781.27	13,505,238.57	11,623,160.95	11,425,859.73
Employee Benefits	2,024,084.93	1,982,309.40	2,161,188.25	1,883,832.78	1,998,953.55	1,955,442.51	1,565,680.08	1,264,715.30	1,357,144.67	1,299,881.83
Capital Outlay	173,500.00	152,000.00	327,335.97	381,290.20	496,491.79	446,678.40	2,595,334.51	1,027,564.04	587,658.87	305,125.84
Total Expenditures	21,899,396.97	22,154,686.31	23,533,567.55	24,223,619.11	25,028,695.40	22,159,949.70	23,789,462.35	21,384,579.15	19,013,968.61	18,516,934.81
Excess (Deficiency) of Revenues Over (Under) Expenditures	(133,809.98)	65,450.43	(178,033.58)	282,565.71	(1,258,537.39)	1,479,234.56	(1,575,190.83)	255,436.48	1,007,096.57	4,127.53

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

Changes in Fund Balances - Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Other Financing Sources (Uses)										
Proceeds From Borrowing										
Payments to Escrow Agent										
Transfers In	7.42	19.36	21.04	1,412.55	9,122.34	11,359.04	38,765.51	71,865.91	134,905.61	425.52
Transfers Out	(1,073,250.99)	(22,264.98)	(21,202.77)	(22,835.52)	(27,371.17)	(568,032.50)	(138,266.94)	(222,017.20)	(297,657.82)	(19,849.53)
Total Other Financing Sources (Uses)	(1,073,243.57)	(22,245.62)	(21,181.73)	(21,422.97)	(18,248.83)	(556,673.46)	(99,501.43)	(150,151.29)	3,747,247.79	(19,424.01)
Net Change in Fund Balances	\$(1,207,053.55)	\$43,204.81	\$(199,215.31)	\$251,142.74	\$(1,276,786.22)	\$922,561.10	\$(1,674,692.26)	\$105,285.19	\$4,754,344.36	\$(15,296.48)
Debt Service as a Percentage of Noncapital Expenditures	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: District Records

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited**

<u>Fiscal Year Ended June 30,</u>	<u>Total</u>	<u>Interest</u>	<u>Refunds</u>
2003	\$ 37,622.72	\$ 14,283.49	\$ 23,339.23
2004	89,349.37	10,972.52	78,376.85
2005	136,616.13	45,042.35	91,573.78
2006	259,889.08	85,560.21	174,328.87
2007	127,777.28	66,966.49	60,810.79
2008	85,141.59	59,940.61	25,200.98
2009	87,070.03	13,728.23	73,341.80
2010	19,625.10	23.75	19,601.35
2011	42,148.57	-	42,148.57
2012	43,821.41	7.42	43,813.99

Source: District Records

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Assessed Value and Estimated Actual Value of Taxable Property,
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Principal Property Taxpayers
Current Year and Nine Years Ago
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Direct and Overlapping Governmental Activities Debt
As of December 31, 2011
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited**

MORRIS COUNTY

<u>Year</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2001	\$ 56,613	3.9%
2002	56,535	4.4%
2003	57,018	4.0%
2004	61,101	3.5%
2005	63,297	5.5%
2006	68,364	3.3%
2007	71,300	3.0%
2008	71,527	4.0%
2009	68,251	7.2%
2010	N/A	7.3%

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Principal Employers
Current Year and Nine Years Ago
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Full-time Equivalent District Employees by Function/Program
Last Ten Fiscal Years
Unaudited**

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction										
Regular	4	4	4	4	4	4	4	4	4	0
Special Education	91	91	90	92	93	86	85	85	62	57
Support Services:										
Student and Instruction Related Services	4	4	4	4	4	5	5	5	4	4
School Administrative Services	4	4	4	4	4	5	4	4	4	4
General and Business Administrative Services	4	4	4	4	4	5	4	4	4	4
Plant Operations and Maintenance	2	2	2	2	2	2	2	2	2	2
Pupil Transportation	3	3	3	8	8	12	11	11	11	10
Total	<u>112</u>	<u>112</u>	<u>111</u>	<u>118</u>	<u>119</u>	<u>119</u>	<u>115</u>	<u>115</u>	<u>91</u>	<u>81</u>

Source: District Personnel Records

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Operating Statistics
Last Ten Fiscal Years
Unaudited**

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2002	62.0	2,510,698.93	40,495.14	-1.77%	101	0.6	60.5	56.9	9.21%	94.05%
2003	134.0	5,645,511.06	42,130.68	4.04%	101	1.3	146.7	132.0	142.48%	89.98%
2004	140.0	6,741,135.48	48,150.97	14.29%	99	1.4	136.7	126.3	-6.82%	92.39%
2005	146.0	6,568,246.02	44,987.99	-6.57%	98	1.5	143.9	132.1	5.27%	91.80%
2006	156.0	7,070,609.79	45,324.42	0.75%	98	1.6	135.9	125.0	-5.56%	91.98%
2007	144.0	7,688,784.11	53,394.33	17.80%	99	1.5	139.5	127.6	2.65%	91.47%
2008	142.1	8,334,341.60	58,651.24	9.85%	99	1.4	142.1	129.2	1.86%	90.92%
2009	135.7	8,758,006.40	64,539.47	10.04%	99	1.4	135.7	123.4	-4.50%	90.94%
2010	120.8	8,349,993.64	69,122.46	7.10%	99	1.2	120.8	111.9	-10.98%	92.63%
2011	112.0	7,123,760.30	63,605.00	-7.98%	67	1.7	112.0	102.9	-7.28%	91.88%
2012	95.0	6,737,385.80	70,919.85	11.50%	57	1.7	95.3	86.6	-14.91%	90.87%

Source: District Records

Note: Enrollment based on annual October district count and Regional Day students starting with fiscal year 2003.

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**School Building Information
Last Ten Fiscal Years
Unaudited**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Commission Buildings</u>										
<u>Park Lake School</u>										
Square Feet	14,190	14,190	14,190	14,190	14,190	14,190	14,190	14,190	14,190	14,190
Capacity (students)	110	110	110	110	110	110	110	110	110	110
Enrollment	76	71	86	88	73	71	67	61	55	47
<u>Regional Day School</u>										
Square Feet	21,590	21,590	21,590	21,590	21,590	21,590	21,590	21,590	21,590	21,590
Capacity (students)	100	100	100	100	100	100	100	100	100	100
Enrollment	74	64	60	68	71	71	69	60	56	49

Number of Schools at June 30, 2012
Special Education School = 2

Source: District Facilities Office

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**General Fund
Schedule of Required Maintenance for School Facilities
Last Ten Fiscal Years
Unaudited**

NOT APPLICABLE

**BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY**

**Insurance Schedule
As of June 30, 2012
Unaudited**

A) Property Policy

On File	- Blanket, Buildings, Contents
\$ 5,000,000	- Business Interruption/Extra Expense
Sub-Limits:	
\$ 5,000,000	- Earthquake (Annual Aggregate)
	- Flood Categories:
\$ 5,000,000	Flood Zone A - \$500,000 Deductible
\$ 2,000,000	Flood Zone B - \$100,000 Deductible
\$ 5,000,000	Flood Zone C - \$50,000 Deductible
\$ 250,000	- Debris Removal
\$ 25,000	- Fire Department Service Charge
\$ 100,000	- Pollutants Clean Up and Removal

B) Boilers & Machinery Policy:

\$ 50,000,000	Blanket
---------------	---------

C) Inland Marine Floater

\$ 5,000,000	- Valuable Papers
\$ 2,500,000	- Electronic Data Processing Equipment
\$ 250,000	- Contractor's Equipment
\$ 100,000	- School Property Coverage
\$ 250,000	- Miscellaneous

D) Liability

\$ 1,000,000	- Automobile
\$ 1,000,000 /\$2,000,000	- General
\$ 1,000,000	- Employee Benefit
\$ 10,000,000	- Umbrella
\$ 50,000,000	- Excess

E) Crime

\$ 500,000	- Blanket Employee Dishonesty
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F) School Board Legal Liability

\$ 1,000,000

Source: District records.

SINGLE AUDIT SECTION



VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

K-1
Sheet 1

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
"GOVERNMENT AUDITING STANDARDS"

The Honorable President
Members of the Board of Education
The Educational Services Commission of Morris County
County of Morris, New Jersey

We have audited the basic financial statements of the Educational Services Commission of Morris County as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Educational Services Commission of Morris County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Educational Services Commission of Morris County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Educational Services Commission of Morris County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

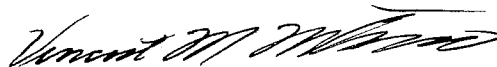
111 Howard Boulevard
Suite 212
P.O. Box 397
Mt. Arlington, NJ 07856
Phone: 973-770-5491
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vm_associates@msn.com

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify an deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Educational Services Commission of Morris County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of the audit committee, management, the Educational Services Commission of Morris County, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Vincent M. Montanino
Public School Accountant
License No. CS000495



Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

December 21, 2012



VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

K-2
Sheet 1

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
NEW JERSEY OMB CIRCULAR LETTER 04-04

The Honorable President
Members of the Board of Education
The Educational Services Commission of Morris County
County of Morris, New Jersey

Compliance

We have audited the compliance of the Educational Services Commission of Morris County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey Compliance Manual State Grants Compliance Supplement that are applicable to each of its major state programs for the year ended June 30, 2012. Educational Services Commission of Morris County major state programs are identified in the Summary of Auditor's Results Section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Educational Services Commission of Morris County's management. Our responsibility is to express an opinion on Educational Services Commission of Morris County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey Office of Management and Budget Circular Letter 04-04 Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133 and New Jersey's OMB's Circular Letter 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Educational Services Commission of Morris County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Educational Services Commission of Morris County's compliance with those requirements.

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In our opinion, the Board of Education of the Educational Services Commission of Morris County, in the County of Morris, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2012.

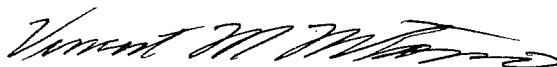
Internal Control Over Compliance

The management of the Educational Services Commission of Morris County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Educational Services Commission of Morris County's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey's OMB's Circular Letter 04-04, but not for the purpose of expressing an opinion on the effectiveness of the Educational Services Commission of Morris County's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Educational Services Commission of Morris County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Educational Services Commission of Morris County, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Vincent M. Montanino
Public School Accountant
License No. CS000495



Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

December 21, 2012

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Schedule of Expenditures of Federal Awards, Schedule A
For the Fiscal Year Ended June 30, 2012

Federal CFDA or Grant Number	Grant Period	Award Amount	Balance July 1, 2011	Adjustments	Cash Received	BUDGETARY EXPENDITURES		Repayment of Prior Years' Balances	Balance June 30, 2012	
						Disbursements	Accounts Payable Encumbrances		Accounts Receivable	Deferred Revenue
Federal Grantor/Program Title						Total				
U.S. Department of Education Passed - Through State Department of Education:										
N.C.L.B. Title II A	84.367A 9/1/11-8/31/12	\$ 1,973.63	\$ -	\$ -	\$ 1,973.63	\$ 1,973.63	\$ -	\$ -	\$ -	\$ -
I.D.E.A. Part B, Basic	84.027A 9/1/11-8/31/12	\$336,290.32	-	-	336,290.32	336,290.32	-	-	-	-
I.D.E.A. Part B, Basic - ARRA	84.0392 9/1/11-8/31/12	13,496.53	-	-	13,496.53	13,496.53	-	-	-	-
Total U.S. Department of Education					351,760.48	351,760.48	-	-	-	-
Total Federal Financial Assistance					\$351,760.48	\$351,760.48	\$ -	\$ -	\$ -	\$ -

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
Schedule of Expenditures of State Financial Assistance, Schedule B
For the Fiscal Year Ended June 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2011	Adjustments	Cash Received	BUDGETARY EXPENDITURES			Repayment of Prior Years' Balances	Accounts Receivable	Balance June 30, 2012	
							Disbursements	Accounts Payable	Encumbrances			Total	Deferred Revenue
State Department of Education:													
General Funds:													
Reimbursed TPAF Social Security Contribution	12-100-034-5095-002	7/1/11-6/30/12	\$306,219.32	\$ -	\$ -	\$ 306,219.32	\$ 306,219.32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reimbursed TPAF Social Security Contribution	11-100-034-5095-004	7/1/10-6/30/11	328,134.93	(15,833.31)	-	15,833.31	-	-	-	-	-	-	-
On-Behalf TPAF Pension Contributions	12-100-034-5095-001	7/1/11-6/30/12	450,476.00	-	-	450,476.00	450,476.00	-	-	-	-	-	-
Total General Funds				(15,833.31)		772,528.63	756,695.32						
Special Revenue Funds:													
New Jersey Nonpublic Aid:													
Textbook Aid	12-100-034-5120-064	7/1/11-6/30/12	172,680.12			172,680.12	172,680.12						
Auxiliary Services:													
Compensatory Education	12-100-034-5120-067	7/1/11-6/30/12	227,477.23			227,477.23	227,477.23						
English as a Second Language	12-100-034-5120-067	7/1/11-6/30/12	5,862.20			5,862.20	5,862.20						
Home Instruction	12-100-034-5120-067	7/1/11-6/30/12	5,148.52			5,148.52	5,148.52						
Handicapped Services:													
Examination and Classification	12-100-034-5120-066	7/1/11-6/30/12	318,184.42			318,184.42	318,184.42						
Corrective Speech	12-100-034-5120-066	7/1/11-6/30/12	175,813.23			175,813.23	175,813.23						
Supplementary Instruction	12-100-034-5120-066	7/1/11-6/30/12	158,651.64			158,651.64	158,651.64						
Nursing Services	12-100-034-5120-070	7/1/11-6/30/12	513,806.00			513,806.00	513,806.00						
Total Special Revenue Funds				-	-	1,577,623.36	1,577,623.36	-	-	-	-	-	-
Total All Funds				\$(15,833.31)	\$ -	\$2,350,151.99	\$ 2,334,318.68	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2012

Note 1: General

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state programs of the Educational Services Commission of Morris County Board of Education. The Board of Education is defined in Note I:B. to the Board's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

Note 2: Basis of Accounting

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes I:E and Note I:F. to the Board's basic financial statements. The information in the schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3: Relationship to Basic Financial Statements

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, that payment is not recognized until the subsequent year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2012
(CONCLUDED)

Note 3: Relationship to Basic Financial Statements (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$-0- for the general revenue fund and \$-0- for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$ 756,695.32	\$ 756,695.32
Special Revenue Fund	<u>351,760.48</u>	<u>1,577,623.36</u>	<u>1,929,383.84</u>
Total Awards and Financial Assistance	<u>\$351,760.48</u>	<u>\$2,334,318.68</u>	<u>\$2,686,079.16</u>

Note 4: Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

Note 5: Other

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2012. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

BOARD OF EDUCATION
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Part I – Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Unqualified
- B) Internal Control over financial reporting:
- 1) Material weakness(es) identified? _____yes X no
- 2) Were significant deficiencies identified
 that were not considered to be material
 weaknesses? _____yes X no
- C) Noncompliance material to basic
 financial statements noted? _____yes X no

Federal Awards Section

Not Applicable

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of Government Auditing Standards.

Not Applicable

BOARD OF EDUCATION
THE EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

Part 3 – Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Not Applicable

BOARD OF EDUCATION
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SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2012

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, U.S. OMB Circular A-133 (section .315 (a) (b)) and New Jersey OMB's Circular 04-04.

Not Applicable